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D 8523A

Green growth

Sanyo warms to solar energy

Page 8

World News

Georgia set for collision with Moscow over decree

The rebellious Soviet republic of Georgia set itself on a potentially bloody collision course with Moscow, flatly rejecting a decree by President Mikhail Gorbachev – which demanded that all Georgian police be withdrawn from the region of South Ossetia – and warning that its enforcement would amount to "an effective declaration of war." Page 12

Soviet tank deceit

Claims that the Soviet Union moved thousands of tanks behind the Ural mountains last year, to escape counting in east-west arms cuts, have been given new credibility by the country's leading conservative newspaper. Page 3

Argentina accused

The US ambassador to Argentina gave an unmistakable indication of US anger at growing corruption in the government of President Carlos Menem. Page 4

Yugoslavs meet

The presidents of Yugoslavia's six republics will today try to find a common solution to the country's political and economic problems in an attempt to prevent the federation from splitting apart. Page 3

Apartheid declines

South Africa came a step closer to ending apartheid in education when previously whites-only state schools in the Transvaal started the new school year by opening their doors to all races. Page 4

Soviet troops die

At least 15 Soviet soldiers were killed when a tank exploded at a Soviet military base in north-west Czechoslovakia the state news agency CTK reported.

El Salvador wins aid

President Bush has decided to free $42.5m in frozen military aid for El Salvador after concluding that Salvadorean rebels are committing human rights abuses. Page 4

Mohawks clash

Dozens of Mohawk Indians armed with clubs and baseball bats clashed with Quebec police after an officer tried to arrest an Indian for a traffic violation on a reservation where a months-long native uprising flared last summer. Page 4

Guerrilla exchanged

Belgium admitted it had agreed to free a guerrilla in exchange for four hostages held by Palestinian radicals but refused to disclose when or where the exchange would take place. It is believed to involve Nasser Said, jailed in 1980 for a grenade attack.

Slovak arms pledge

The independence-minded republic of Slovakia will defy a Czechoslovak government ban on the production and export of heavy weapons which threatened nearly 70,000 Slovak jobs, the republic's prime minister has said. Page 3

Second Bilbao bomb

A man was seriously injured by a car bomb explosion in the same street in the Spanish port of Bilbao where a similar blast injured three people on Tuesday. Police suspected both explosions to be by the separatist group Eta.

German donation

Germans have donated more than DM129m ($84m) to help the Soviet Union through a winter of food shortages, campaign organisers said.

Van Gogh found

A previously unknown painting by Vincent van Gogh owned by a couple in Milwaukee, Wisconsin, has been identified and will soon be auctioned in the United States, the Vincent van Gogh Museum in Amsterdam said.

Business Summary

Rescue costs for Bank of New England to top $2.3bn

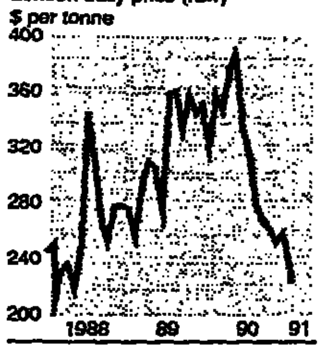
The rescue of the Bank of New England, the bank declared insolvent and taken over by US bank regulators, is likely to cost more than the $2.3bn already disclosed, according to officials and bankers. Page 13

MARKETS: Sugar – prices dipped below $200 a tonne in London and 9 cents per pound in New York. Page 22

Sugar

London daily price (raw)

$ per tonne



Wall Street: the Dow Jones Industrial Average was up 2.22 at 2,511.63 at mid-session. Tokyo: the Nikkei average closed up 71.43 at 22,969.27. Frankfurt: DAX index rose 21.95 to 1,375.90. Back Page, Section II

SANOFI and Sterling Drug, French and US pharmaceuticals companies, are to pool businesses to create one of the world's largest drugs companies. Page 13

AIRBUS Industrie, European aircraft manufacturing consortium, is to review whether Pan Am, the troubled US airline, can continue leasing 21 Airbus aircraft. Page 13; Airbus performance, Page 3

JENBACHER Werke, the Austrian engineering company, emerged as a serious contender for Telfos Holdings, the UK rolling stock manufacturer. Page 13

JAPAN threatened to deny permission for new flights to Tokyo by United Airlines and other US companies unless Washington approved routes for two Japanese cargo carriers. Page 12

INTERNATIONAL Energy Agency, based in Paris, said western oil stocks were at their highest level for nine years. Page 2

BONN and the 16 federal German states failed to agree on a new system of financing regional budgets. Page 3

LUFTHANSA started its 1991 borrowing programme with two floating-rate note issues totalling DM1bn ($600m), with the proceeds to go towards the German national airline's three-year fleet renewal programme. Page 15

AUSTRALIA'S current account deficit fell sharply in November, raising hopes that the deficit for the year to June may fall below the government's $13.8bn target. Page 4

EUROPEAN Commission has launched an investigation into possible unfair state aid by the French government to Pari Mutuel Urbain (PMU), the country's betting monopoly. Page 3

UNILEVER, Anglo-Dutch consumer products group, plans to double its food interests in Finland with a stake in Jalostaja, part of Huhtamäki, the Finnish food and pharmaceutical company. Page 14

LAZARD Brothers, the London merchant bank, is taking a substantial minority stake in Les Fils Dreyfus, a Basle-based private bank. Page 19

DG Bank, Deutsche Genossenschaftsbank, central bank for Germany's co-operative institutions, must buy back bonds with a face value of DM1.2bn ($800m) from its subsidiary Bausparkasse Schwaebisch Hall (BSH). Page 15

Geneva talks break down ● Baker suggests future UN diplomatic role

US says Iraqis will not withdraw

By Robert Mauthner and William Dullforce in Geneva and Ian Davidson in Paris

MR James Baker, US secretary of state, said yesterday that he had failed to persuade Iraq to withdraw from Kuwait during six hours of talks with Mr Tariq Aziz, the Iraqi foreign minister.

In a sombre account of yesterday's talks which he described as a "defining moment in history", Mr Baker said he delivered the clear message the choice between war or peace lay in Iraq's hands.

Nevertheless, Mr Baker left open the door to further last-minute diplomatic efforts to resolve the crisis, suggesting in particular that Mr Javier Pérez de Cuéllar, the United Nations secretary-general, could use his good offices in the search for peace.

Mr Baker described yesterday's talks as a "reasoned" and "serious" discussion, but said he had heard nothing from his counterpart which demonstrated either flexibility or new ideas. He said Mr Aziz gave no indication that Iraq intended to comply with UN resolutions demanding its withdrawal from Kuwait.

In a statement to reporters after the talks ended he said: "Time for talks is running out. It's time for Iraq to act."

President George Bush, who spoke to his secretary of state immediately after the talks and for 15 minutes during a recess for lunch, said Iraq had shown "no flexibility whatsoever". Speaking at the White House, he said, "Iraq has shown no flexibility, no propensity to co-operate".

Mr Baker, he added, "couldn't report any progress to us at all, not an inch".

Nevertheless, with just six days remaining to the expiry of the UN deadline for Iraq to withdraw from Kuwait, the lack of any progress in yesterday's talks brings the threat of war in the Gulf closer than ever in the five months since Iraq invaded Kuwait.

Mr Baker emphasised that there remained time for Iraq to comply with the UN resolutions and said of any possible declaration of war: "The clock is ticking on, but the president has not taken that decision".

However, Mr Baker made a strong nod towards the desirability of continued diplomatic efforts to resolve the crisis and stressed in particular that Mr de Cuéllar could proceed with his own diplomatic initiative. "The secretary-general of the United Nations could use his good offices in the remaining six or so days," he said.

Mr Pérez de Cuéllar has already offered to visit Baghdad if it was considered likely to help find a diplomatic solution to the crisis.

Mr Baker also left open the possibility for a European initiative, saying: "We welcome any and all diplomatic initiatives to solve the crisis peacefully and diplomatically."

European diplomats had spent much of yesterday ensuring that some form of diplomatic safety-net would be available in the case of failure in Geneva and Mr Jacques Poos announced that Mr Aziz had agreed to hold talks in the next few days in Algiers.

Mr Aziz's acceptance of the talks preceded yesterday's discussions with Mr Baker and reversed his earlier decision to turn down last week's offer of talks from the EC.

The French government stressed yesterday that it would use every diplomatic means available to it to avoid war in the Gulf.

At a press conference last night before the end of the US-Iraqi talks, President François Mitterrand said: "France will do everything possible for peace".

During the Gulf crisis the French government has repeatedly been rumoured to be hatching some secret peace initiative which would undercut the UN resolutions.

But yesterday Mr Mitterrand said: "France considers as an irreducible principle the fact that Kuwait must be evacuated, and on the other hand, that the deadline of the ultimatum, fixed for January 15, cannot be extended, under any pretext whatever".

The French government was in diplomatic contact with a large number of countries, said Mr Mitterrand, including Algeria, Morocco, the Soviet Union, Germany, Spain and Yugoslavia.

But he denied reports that there was a plan to send an emissary to Baghdad, since this would serve no useful purpose. "The right conditions must be present for such a move", he said, "and that is not my impression now".

He added, however, that "France will not back down from the [UN] texts which it has voted, and it will take part with its military forces until

Continued on Page 12

Handshake temporarily breaks tension

By William Dullforce and Robert Mauthner in Geneva

IT TOOK a request from a photographer to break the tension at the start of the meeting in Geneva yesterday between Mr James Baker, US secretary of state, and Mr Tariq Aziz, Iraqi foreign minister.

Nine grim-faced delegates from each side were sitting face to face in complete silence at a bare rectangular table in a small oak-panelled room, the Salon des Nations, on the ground floor of the city's Intercontinental Hotel.

"Please shake hands," said the photographer. With a twitchy smile Mr Aziz half raised himself, Mr Baker lent over the table and, looking straight at the camera, they briefly grasped hands before settling back into their stony-faced ranks.

The two teams kept the world waiting for six hours as they remained locked in talks.

After a morning and an afternoon session, interrupted by a short lunch break during which Mr Baker telephoned President George Bush, the ministers held a third session in the early evening.

The sternness of the occasion was signalled by some of the people flanking the ministers.

To emphasise the message that he had been expounding in London, Paris, Bonn and Milan – that Iraqi forces have to quit Kuwait unconditionally – Mr Baker was accompanied by Lt Gen Howard Graves, assistant to the US joint chiefs of staff.

US diplomats said he was there to demonstrate to the Iraqis the crushing military might that is ready to be thrown against them.

Mr Aziz was buttressed by the presence at his side of Mr Barzan al-Takriti, President Saddam Hussein's half-brother. Mr al-Takriti, whose reputation for toughness is second only to that of Mr Saddam, is his country's permanent representative in Geneva. His influence with the Iraqi president is said to be stronger than that of Mr Aziz.

THE GULF CRISIS

Oil prices rise as peace hopes fade

By Peter Marsh and Deborah Hargreaves in London

THE dollar and oil prices rose sharply last night on news that the US-Iraq talks in Geneva had failed to bring closer a resolution of the Gulf crisis.

The dour report by Mr James Baker, the US secretary of state on the day's discussions with Mr Tariq Aziz, the Iraqi foreign minister, undercut earlier hopes on world financial markets for a peaceful solution.

In New York last night, the dollar gained about 1½ pfennigs in frantic trading as the US currency reverted to its traditional role as a "safe haven" in times of tension.

The dollar was quoted at DM1.5360 in mid-session trading in New York. Earlier in the day dealers had sold the currency amid optimism that the Geneva talks might spark an orderly withdrawal of Iraqi forces from Kuwait.

Oil prices also jumped after Mr Baker's comments. North Sea Brent crude for future delivery gained $6 to reach $30 a barrel. During the optimism earlier in the day, the price had fallen by $2.60 a barrel to $23.10.

The less hopeful note at the close of the Geneva talks came too late to affect stock markets in Europe which had closed generally higher.

Bourses in Paris, Brussels and Frankfurt all closed between 1.5 per cent and 3.2 per cent higher. In London, the FT-SE index finished the day at 3,128.9, up 29.0, while UK government gilt-edged bonds gained about 1 point.

Wall Street equity markets also bounced lower on the news of Mr Baker's comments. By early afternoon, the Dow Jones Industrial Average was 3.22 lower at 2,506.19, after having shown a 39 rise at midsession.

Dresdner takes stake in Banesto industrial holding of Spain

By Tom Burns in Madrid and Katharine Campbell in Frankfurt

DRESDNER BANK, the second largest German bank, has acquired 5 per cent of Corporacion Banesto, the industrial holding controlled by Banco Espanol de Credito (Banesto), one of Spain's biggest banks.

While Dresdner refused to confirm the transaction, banking sources said yesterday that it had paid Pta11.8bn ($113.42m) for the equity, paying Pta5.325 per share in a block acquisition from Banesto on the Madrid stockmarket on December 28. Banesto claims to represent 1 per cent of Spain's gross domestic product.

The private placement with Dresdner is in line with a new strategy that was drawn up by Banesto after its decision last September to suspend a planned international flotation of 26 per cent of Corporacion because of the Gulf crisis.

The decision to sell to Dresdner suggests a willingness by Banesto to cut its losses and strike deals with whoever is willing to bid a slight margin above Corporacion's market price.

When Banesto announced last October that it was open to private offers for the holding it set the market price of Pta5.250 for Corporacion shares as its benchmark. On that basis Banesto earns Pta170m from its sale.

Yesterday Corporacion shares had fallen to Pta4.950, from a price of Pta7.500 and Pta8.000 when Banesto was preparing Corporacion's flotation.

Analysts were puzzled over Dresdner's motivation in forming a tie with the industrial holding group rather than Banesto bank.

The latter would have made more sense as a direct vehicle for expanding Dresdner's interests in Spain. However, one analyst said that Dresdner had been very keen to secure the regional lead management role (for Germany) in last year's Corporacion share placement, but was understood to have lost to Deutsche Bank.

Spain comes well up the list of favoured destinations for Germany's banks expanding in Europe ahead of the single market deadline. In knitting together a European network Dresdner has adopted a lower key approach than its more aggressive rival Deutsche Bank, which has made a string of acquisitions leaving France as the only significant gap.

Dresdner, by contrast, is well represented in France, particularly on the investment banking side, but has plenty of further ambitions elsewhere.

In Spain it has made no banking acquisitions to date, but has its own branches in Madrid and Barcelona, with a small fund management operation set up last year in Marbella.

Its co-operation agreement with Banque Nationale de Paris, which its chief executive Mr Wolfgang Röller has described as a cornerstone of his international strategy, has yet to bear significant fruit in western Europe after the failed bid launched for Yorkshire Bank in the UK a year ago, although the two banks have set up a joint venture in Budapest.

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Turkish leader benefits from Nato alliance in Gulf crisis

A Nato move to deploy aircraft to Turkey, its only member bordering Iraq, represents an important gesture of support for President Turgut Ozal at a time of mounting political tension for the Turkish leader.

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MARKETS

STERLING
New York lunchtime:
$1.9275
London:
$1.9265 (1.906)
DM2.915 (2.92)
FFr9.8925 (9.8975)
SFr2.4525 (2.455)
Y258.25 (260.0)
£ index 94.0 (93.9)

GOLD
New York: Comex Feb
$393.0 (392.3)
London:
$373.75 (388.25)

N SEA OIL (Argus)
Brent Feb
$22,525 (25.65)

Chief price changes yesterday: Page 21

DOLLAR
New York lunchtime:
DM1.512
FFr5.1315
SFr1.2725
Y134.0
London:
DM1.513 (1.5315)
FFr5.135 (5.1925)
SFr1.2735 (1.2875)
Y134.0 (136.4)
$ index (62.0)
Tokyo close: Y136.83

US LUNCHTIME RATES
Fed Funds 4½%
3-mo Treasury Bills: yield: 6.55%
Long Bond: 105 $\frac{3}{32}$
yield: 8.26%

STOCK INDICES
FT-SE 100:
2,126.9 (+29.0)
FT Ordinary:
1,668.5 (+31.6)
FT-A All-Share:
1,023 43 (+1.2%)
New York:
DJ Ind. Av.
2,553.22 (+43.81)
S&P Comp
320.57 (+5.67)
Tokyo: Nikkei
22,969.27 (-71.43)

LONDON MONEY
3-month interbank:
closing (13 $\frac{15}{32}$)
Liffe long gilt future:
Mar 90⅝ (89 $\frac{3}{16}$)

French search for peace may imperil UN strategy

By Ian Davidson in Paris

PRESIDENT François Mitterrand yesterday combined an undertaking that France would continue its diplomatic search for peace right up until the January 15 deadline, with a promise of uncompromising firmness on the absolute implementation of the United Nations Security Council resolutions by Iraq.

From the beginning, France has been in the forefront of western countries seeking a diplomatic solution to the Gulf crisis. But any 11th-hour French initiative now is bound to raise at least three questions of strategy and tactics.

The first is whether it is possible to offer a reasonable incentive for Iraqi withdrawal from Kuwait, without admitting that Iraqi withdrawal is after all negotiable.

The second question is even more important: where is the centre of gravity between France's diplomatic ambitions and its essential national interests? France would obviously rather retain its place as a western power and as a friend of the US, than jeopardise these relationships for the sake of a diplomatic coup in favour of the Arab world.

But the third question is crucial. In their attempt to find a way out of the Gulf crisis, an attempt which is founded both on good intentions and national vanity, are the French about to make a profound mistake, to overstep the mark, and to give away the chance of restoring the independence of Kuwait?

Until the crisis has been played out to its conclusion, no-one can answer these questions for sure. But it is obvious that France and its European partners are, by their anxiety to negotiate, running the risk of jeopardising the carefully constructed strategy of the United Nations coalition.

In principle, the French government agrees absolutely with the US administration that there can be no negotiation over whether Iraq should withdraw from Kuwait. President François Mitterrand and his ministers have repeatedly insisted that Iraq must withdraw completely and without conditions from Kuwait.

Over the months, France has gradually moved closer to the US position, under the UN umbrella, both over the necessity that Iraq should withdraw from Kuwait, and more recently over the threat to use force.

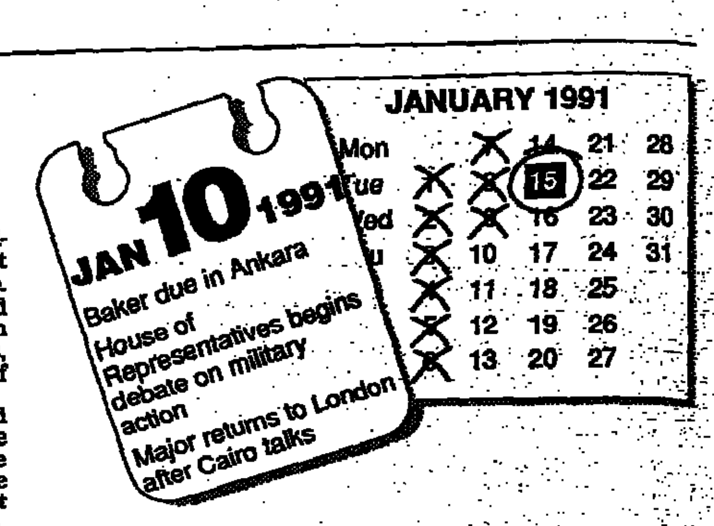
The two governments nevertheless diverge over the question of an international Middle East conference. In September, in a speech to the UN General Assembly, Mr Mitterrand argued that, if Iraq were to withdraw from Kuwait, everything would become possible, including the holding of one or more international conferences, to settle the long-outstanding problems of the Middle East.

France has advocated an international conference since 1983. The US, on the other hand, is manifestly unenthusiastic about the idea.

France has adopted a relatively pro-Arab posture since the 1967 Six-Day Arab-Israel War. It felt doubly sensitive about the Iraqi invasion of Kuwait, since Paris had cultivated a friendship with Iraq from the 1970s and had supplied many of the weapons which have made Iraq one of the best-armed countries in the region.

The dilemma facing Mr Mitterrand now is whether he can offer any additional inducement to Iraq, without jeopardising the entire UN enterprise. The danger is that he could be lured by Iraqi President Saddam Hussein into debating about the participants, the mandate and the conclusions of an international conference.

In reality, of course, France could not deliver answers to any of these questions. No conference would be worth holding if it did not have the participation of all the permanent members of the UN Security Council, starting with the US; and no conference could be pre-negotiated. But there is a clear risk that such parleys between Paris and Baghdad could be used by Iraq for purposes of indefinite procrastination, and for delaying indefinitely the moment of withdrawal from Kuwait.



Iraq 'accepts' EC offer to hold talks in Algiers

By David Buchan in Brussels

IRAQ has apparently accepted an offer by the European Community to hold talks on the Gulf crisis in Algiers, French President François Mitterrand said yesterday.

Europe's fresh offer of talks, this time on neutral ground, came amid rising concern in Brussels that a separate French diplomatic initiative could shatter the Twelve's common stance.

The concern followed remarks from a French government spokesman that Paris would use all its diplomatic resources to try to avert war.

Mr Jacques Poos, foreign minister of Luxembourg, which holds the EC presidency, met Mr Sid Ahmed Ghozali, his Algerian counterpart, yesterday and arranged the venue. Mr Poos also met King Hussein of Jordan yesterday during the monarch's own sweep through Europe in search of a peace formula for the Gulf crisis.

Mr Tariq Aziz, the Iraqi foreign minister, last week turned down an EC invitation for talks in Luxembourg which was made after last Friday's special meeting of foreign ministers.

However, a senior Commission official yesterday said: "The Twelve feel that, with regard to their public opinion, that they must do whatever is necessary to secure a peaceful outcome."

Britain and the Netherlands, the two countries most reluctant about the original invitation to Iraq, are understood to endorse the renewed European initiative.

The Twelve would be represented at the talks by Mr Poos, together with the foreign ministers of Italy (the last EC president) and the Netherlands (the next president).

However, this consensus could come unstuck if France – as Mr Roland Dumas, its foreign minister, hinted yesterday – was to strike out on its own diplomatically before the January 15 United Nations deadline.

One official said yesterday that if, just as the Twelve were formally negotiating common foreign policy mechanisms, "one member state were to take freedom of manoeuvre back, this would create a new situation, and dissent among others".

For the moment, however, diplomats in Brussels report consensus on two points:

- The military threat against Iraq should be suspended if Baghdad starts to pull its troops out of Kuwait within the next six days. Officials recognised that at this stage, even with the best will in the world, Iraq could not get all its soldiers out of Kuwait by next Tuesday.
- The EC, if not the US, should make clear the "objective" need to promote a settlement of the Palestinian issue. This is long overdue, say EC diplomats, and has nothing to do, strictly speaking, with President Saddam Hussein.

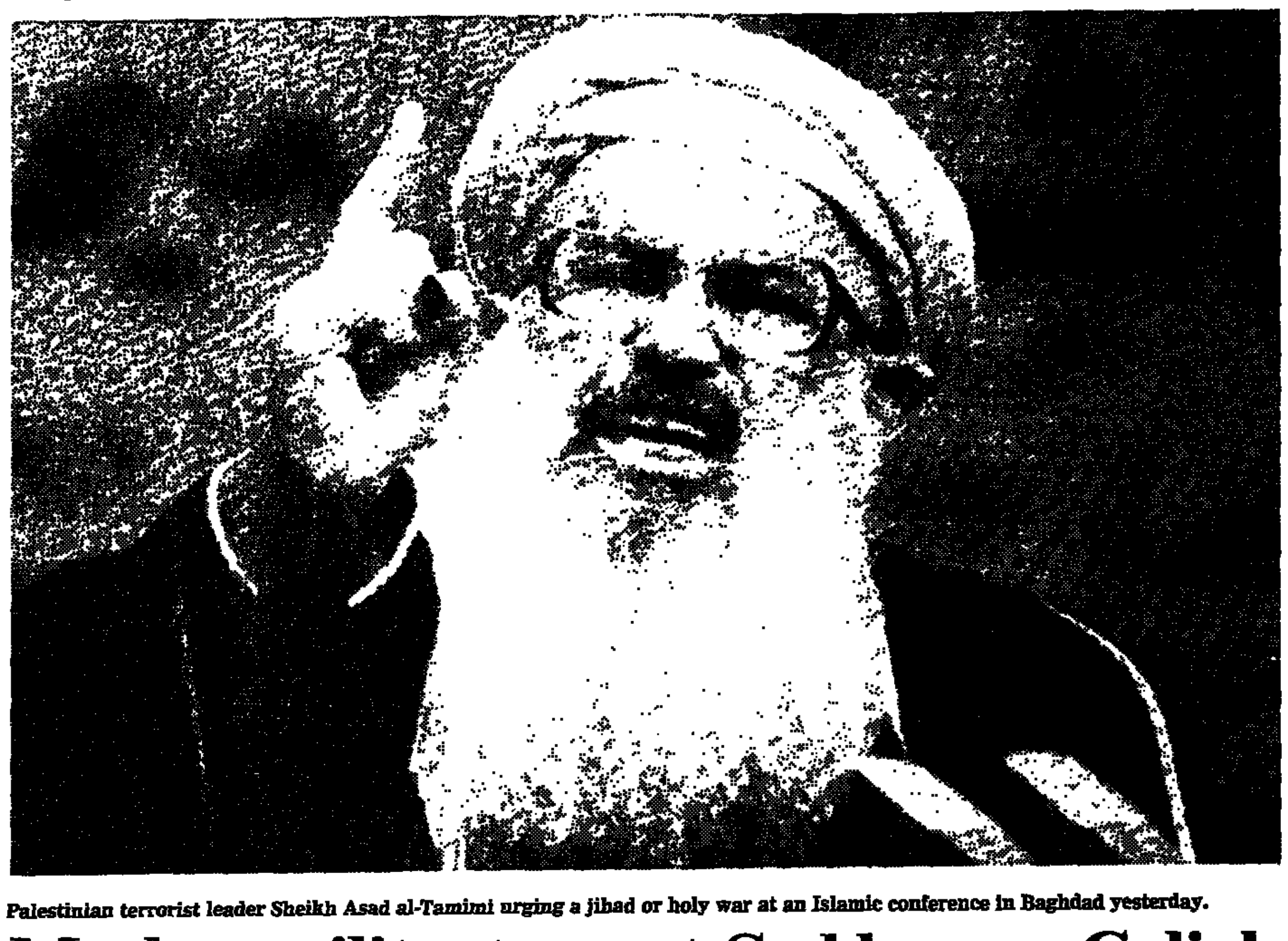
Iraq indeed would probably not even be invited to attend a conference on the Palestinian issue of the kind endorsed by the EC; President Mitterrand made this clear by talking of the need for two conferences (one on the Gulf and the other on the Arab-Israeli dispute) during his New Year address to the nation.

However, as one EC official put it, if stating the Community's concern about overall Middle East peace "can help Saddam Hussein behave better on other issues [Kuwait], why not do it?"

Mr John Major, the British prime minister, on the final leg of his tour of the Middle East said he was confident that the anti-Iraq alliance was holding firm following talks with Egyptian officials in Cairo yesterday, writes Max Rodenbeck in Cairo.

Asked about linkage with the Palestinian issue, Mr Major said Britain would "press firmly" for an international conference on the Middle East once the Gulf crisis was resolved.

Mr Major met Egyptian President Hosni Mubarak and praised Egypt's "very remarkable contribution".



Palestinian terrorist leader Sheikh Asad al-Tamimi urging a jihad or holy war at an Islamic conference in Baghdad yesterday.

Moslem militants want Saddam as Caliph

By Tony Walker in Baghdad

A MILITANT Islamic leader yesterday called for President Saddam Hussein to be declared the Caliph or supreme ruler in the Arab world, recalling the high point of Arab conquest in the 8th century.

Sheikh Asad al-Tamimi, the emir or leader of the emergent Islamic Jihad in Jordan, told an Islamic conference which opened yesterday in Baghdad that Mr Saddam's return to Islam had "marked a high point in the Islamic wakening".

The radical cleric, whose followers have been conducting suicide missions against Israeli soldiers in the West Bank, embarrassed some fellow Islamicists with his call for the restoration of the caliphate under Mr Saddam. Mr Leith Shbeilat, an independent Islamicist member of the Jordanian parliament, described talk of a return to the caliphate, established immediately after the death of the prophet Mohammed in 632AD, as utopian.

"We are not qualified for that ideal. We are too far from that ideal," he declared.

Sheikh Tamimi's eccentric call reflects, nevertheless, moods and passions abroad in the Arab world, and is also a measure of Mr Saddam's success in persuading some Arab militants that his recent embrace of Islamic slogans is sincere.

The head of a hitherto determinedly secular Ba'ath party apparatus, the Iraqi leader has repeatedly pitched his appeal for Arab support in religious terms, railing against Western "infidels".

Sheikh Tamimi was a strong supporter of Iran during the Gulf war.

The three-day conference, attended by about 1,000 delegates from across the Islamic world, was also addressed by Taha Yassin Ramadan, Iraq's first deputy prime minister. Delivering a message from Mr Saddam, he accused the US alliance of seeking to "plunder Arab riches and destroy Arab culture and heritage".

Western oil stocks reach nine-year high

By Deborah Hargreaves

WESTERN OIL stocks are at their highest level for nine years as the world squares up to the crisis in the Gulf, according to the Paris-based International Energy Agency (IEA) in its monthly oil market report yesterday.

At the same time, producing countries are stockpiling oil close to consumer markets in case output is interrupted by a conflict.

Crude oil and product stocks are at 469m tonnes, equivalent to 96 days consumption by the OECD. In addition, Saudi Arabia, Iran and Venezuela have moved some 50m barrels of oil outside the Middle East war zone, holding it in floating storage, in transit or on land close to end markets, particularly in Europe.

These stocks which have been built up in addition to the 50m barrels regularly held by these countries as stock afloat and ashore, could supplement oil deliveries to consumers if supply is interrupted by hostilities in the Gulf.

At the same time, the IEA points to sluggish oil demand and estimates that oil consumption by OECD countries will reach 38.4m barrels a day in the first quarter, unchanged from the same period a year ago. This follows a 3 per cent drop in usage towards the end of last year, when consumption fell to 38.1 b/d.

Oil supplies remain strong, and in December reached their highest level in eight months, of 54.3m b/d. Production by the Organisation of Petroleum Exporting Countries reached 23.5m b/d in December as producers such as Venezuela and Iran stepped up output and Saudi Arabia maintained its high level of production at 8.2m b/d.

"The speed and extent of the response from Opec producers since August has surpassed all earlier expectations," the agency says.

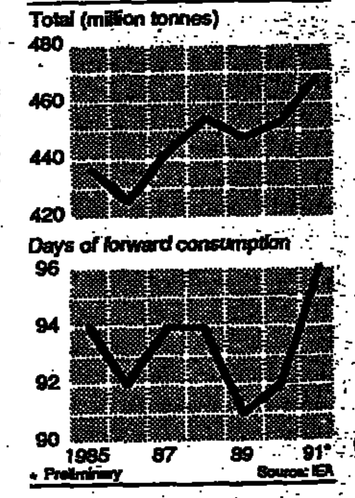
Supply and demand in the oil market are currently almost exactly in balance and large stocks of oil will provide a cushion in the event of any disruption in output. The IEA estimates that if the current stock levels are maintained throughout the first three months of this year – a time when companies are traditionally selling stock – the level of crude needed from Opec to meet projected demand would be 23.6m b/d – close to the level achieved in December.

"However, there is considerable potential to reduce the current high level of stocks both ashore and afloat. If there were to be a disruption in supplies from the Arabian Gulf, the magnitude of the disruption that could be accommodated while maintaining forecast levels of consumption would be highly sensitive to the reaction of both stockholders and consumers."

The IEA estimates that consumption of oil will fall in the second quarter to 35.8m b/d.

Falling usage of oil has come as the US and Europe have moved into recession. North American consumption fell by 4 per cent to 19m b/d in the last three months of 1990 and is expected to drop further to 18.8m b/d in the first quarter. European usage also declined by 4 per cent to 12.8m b/d in the last quarter, but is estimated to rise to 12.9m b/d in the current three months.

Oil stocks on land



Algeria offers valuable experience as mediator

By Francis Ghilès

THE ALGERIAN government, now emerging as a key interlocutor in European and French mediation in the Gulf, is no stranger to the often violent complexities of Middle East politics.

Though they have never admitted so much in public, the Algerians know it was Iraq that shot down the aircraft carrying their then minister of foreign affairs, Mr Mohamed Benyahia, as it flew from Baghdad to Tehran in April 1982.

The "accident" claimed the lives of one of the most talented group of diplomats any third world country could line up. Mr Benyahia and his team of advisers were busy shuttling between the two capitals in one of many vain attempts to negotiate a ceasefire between the two Middle East countries.

The government nevertheless refused to allow the episode to interfere with a realistic appraisal of events, alongside a determination to remain neutral in the region.

In December 1975, the late President Houari Boumedienne agreed to admit into Algeria the gang led by Ilich Ramirez Sanchez – the Venezuelan usually known by his nom de guerre of Carlos Martinez – and the ministerial hostages seized at a conference of the Organisation of Petroleum Exporting Countries.

The skilful negotiations undertaken by Mr Belaid Abdesselam, the redoubtable Algerian minister of energy, and Mr Abdelaziz Bouteflika saved the lives of all, not least of Sheikh Ahmed Zaki Yamani (then Saudi Arabia's oil minister), who was Carlos Martinez's main target.

Ghozali: diplomatic test

Six years later Algerian diplomats pulled off one of the more remarkable feats of diplomacy when they secured the release of the US diplomats held hostage in Tehran.

Algeria has established its credentials – from the perspective of all but Iraq – by being quick to condemn the invasion of Kuwait. The government shares the west's insistence that an Iraqi withdrawal from Kuwait is a precondition to anything that might follow.

But the skilful diplomacy of the Algerians, led by Mr Sid Ahmed Ghozali, foreign minister since September 1989, will be tested to the limit. Algeria is likely to tell the EC mission that inter-Arab diplomacy should then be given a chance, because only Arab intervention can help the Iraqi leader escape from his predicament.

Most Arabs, they say, would rather die than lose face, and western negotiators cannot fully appreciate the importance of this psychological factor.

Pullout not enough, says Israel

By Hugh Carnegy in Jerusalem

ISRAEL again told of its worries about any diplomatic resolution of the Gulf crisis yesterday, saying that an Iraqi withdrawal from Kuwait would not in itself end the dangers to the region posed by Baghdad.

"We cannot talk about ending the crisis by an announcement that [Iraq] is withdrawing or even by actual withdrawal without saying what will happen the day after or how to create Middle East stability and exterminate the danger of [Iraqi President] Saddam Hussein," Mr David Levy, the foreign minister, said in a radio interview.

Mr Moshe Arens, the defence minister, denied a state radio report that the armed forces had been placed on a heightened state of alert before the US-Iraqi talks in Geneva and next week's UN deadline for Iraq to withdraw from Kuwait.

However, he said the defence forces were ready for any eventuality. The authorities are worried that Iraq might launch a missile attack on Israel if peace efforts fail.

Responding to pressure on Israel to moderate any response to an Iraqi attack to prevent any split within the Western-Arab alliance against Iraq, Mr Levy said: "Israel will not create a precedent by which it is attacked, its citizens are hit, but it restrains itself in order to maintain this or that coalition."

Mr Ariel Sharon, the housing minister and former defence chief, added in an interview with a French newspaper: "My message to the Arabs and to Saddam Hussein is: Do not attack Israel because Israel will reply immediately in the hardest possible manner."

Mr Yitzhak Shamir, the prime minister, said everybody would be pleased by a peaceful outcome.

However, his remark disguised real concern in Israel, expressed by Mr Levy, that President Saddam might survive with his regime and influence intact.

Prospects 'high for rapid victory'

By Peter Riddell in Washington

IF THE US-led coalition goes to war with Iraq, "prospects are high for rapid victory with light to moderate American casualties" of about 3,000-5,000 with up to 1,000 deaths, Congressman Les Aspin, Democratic chairman of the House Armed Services committee, says.

Mr Aspin published a report on what might happen in any war as Congress prepares today to start debating whether to authorise President Bush to take military action.

Mr Bush has written to congressional leaders seeking approval for a resolution, along the lines of that passed by the UN Security Council on November 29, to authorise "all necessary means" to drive Iraq out of Kuwait, since "anything less would encourage Iraqi intransigence".

Congressional leaders were yesterday discussing the wording of resolutions to be debated in both houses. It is likely that, while Mr Bush will receive broad backing, the message may be ambiguous.

Republican Congressman Henry Hyde said: "The president wants a blank cheque which leaves the decision to him, when, how, where and what force he can use. He is not going to get that." Democratic pressure is strong for sanctions to be applied longer.

The report says war would involve a phased attack, starting with strikes against airfields, missile sites, chemical and nuclear installations. This would be followed by air assaults on field command HQs and communications lines inside Kuwait, leading, if need be, to clashes with Iraqi forces in Kuwait. While Mr Aspin favoured diplomatic effort, he would vote to authorise Mr Bush "to use force to liberate Kuwait".

US plays down trade rift with Bonn

By David Marsh in Bonn

THE US is playing down suggestions of a rift with Bonn over German companies' violations of the trade embargo with Iraq imposed after the invasion of Kuwait.

A US official said yesterday that Washington was broadly pleased with how Chancellor Helmut Kohl's administration had reacted to information acquired through secret service routes about alleged German breaches of the embargo.

Late last year the US embassy in Bonn passed to Bonn a list of around 50 German companies suspected of violations of the trade freeze. A few cases reflected attempts at maintaining business links by companies suspected of involvement in areas such as chemical weapons.

But most of the complaints – compiled through clandestine channels such as interception of telephone conversations and mail – turned out not to represent genuine breaches of the trade cut-off.

"Our point is that the Germans have reacted with great alacrity – with more responsiveness than we expected," the US official said.

German customs authorities are investigating seven companies suspected of breaking the post-August 2 embargo. Four are alleged to have seriously infringed the measures, while three are being investigated for less serious irregularities.

German sensitivity about too close a link with Anglo-American policies over Iraq, however, was underlined yesterday when the Foreign Ministry refused to confirm or deny that seven Iraqi diplomats had been expelled.

NEWS IN BRIEF

Baghdad pours more troops into Kuwait

IRAQ IS estimated to have reinforced its troop strength concentrated in and around Kuwait by some 60,000 in the past fortnight, increasing its total to 590,000, writes David White, Defence Correspondent.

Iraqi tanks in the region are thought to have been bolstered by a further 200 to 4,200, representing more than three-quarters of the country's total force. The number of artillery pieces has risen to some 3,000 from under 2,500, with about 2,600 armoured personnel carriers. Experts believe efforts for further reinforcements would severely stretch the Iraqi army's capabilities.

The increase has taken place principally inside Kuwait with a strengthening of the infantry line stretched behind the border with Saudi Arabia and along the coast, and of armoured reserves deployed behind them.

Kaunda on peace mission

President Kenneth Kaunda of Zambia was due to fly to Baghdad late last night to hold talks with President Saddam Hussein, according to senior aides, writes Mike Hall in Lusaka. The two men have worked together in the Non-Aligned Movement, a grouping of mainly third world nations.

Before his departure Mr Kaunda met Mr Herman Cohen, US assistant secretary of state for African affairs.

Palestinian may go free

Belgium yesterday signalled its readiness to free a Palestinian jailed for life for a grenade attack on Jewish schoolchildren in Antwerp in 1980 in return for four Belgian hostages which the Fatah Revolutionary Council said earlier this week were being released, writes David Buchan in Brussels.

The Foreign Ministry merely confirmed that the government had agreed within itself – but "not with any third party" – on a possible swap between Mr Said Nasser, who is held at Louvain, and the Houtekins family, kidnapped from a yacht in 1987.

A ministry official added that Belgium was continuing its contacts in order to secure the release of the Houtekins family. These contacts have taken the ministry's political director several times in recent months to Lebanon, and it is also considered significant that Belgium is about to sign an economic co-operation accord with Libya.

Insurance rates set to rise

Insurance rates for cargo being transported through the Gulf region are likely to rise further following yesterday's decision by London underwriters to move war-risk premiums for air and marine cargo to Israel on to a "held-covered" basis, writes David Waller. Held-covered means some insurers will not quote rates at all and cover is negotiated between insurer and shipowner on a case-by-case basis, rather than being decided with reference to a table of indicative rates set by the London-based War Risks Rating Committee. Until yesterday, held-covered applied only to marine cargo going to Israel via ports in Jordan, Lebanon or Syria.

First pick for US military

President George Bush yesterday issued an executive order giving the US military first call on food, energy, transport and other essentials in the event of war in the Gulf, Reuter reports from Washington. The order, which has the force of law, said: "To achieve prompt delivery of articles, products and materials to meet national security requirements, the government may place orders and require priority performance of these orders."

Jordan shuts border to refugees

By Lamis Andoni in Amman

JORDAN yesterday closed its border with Iraq to prevent refugees from Kuwait and Iraq flooding into the country before a possible war.

Jordan expects more than 1m evacuees to seek passage across its borders in the next two weeks and fears it will not be able to cope with the stranded masses.

Crown Prince Hassan called for international aid earlier this week to help cope with the expected wave of refugees.

More than 1.6m refugees passed through Jordan immediately after Iraq's invasion of Kuwait, straining local camps, transport, food and water supplies to the limit.

Mr Mudar Badran, the prime minister, also warned yesterday that Jordan would seek military aid from Iraq, Syria and Egypt if attacked by Israel. Jordanian officials said that Iraq as well as Syria, which is part of the US alliance against Baghdad, has promised to come to Jordan's help against a possible Israeli invasion.

Mr Badran predicted that the US alliance would crumble in the event of an Israeli military intervention.

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EUROPEAN NEWS

Moscow report tells how thousands of tanks avoided CFE count

By Quentin Peel in Moscow

WESTERN CLAIMS that the Soviet Union moved thousands of tanks, armoured cars and artillery pieces behind the Ural mountains last year, to escape counting in east-west arms cuts, have been given new credibility by the country's leading conservative newspaper.

Not only did the Soviet military carry out the massive operation, but it severely disrupted collection of the country's record harvest last summer by commandeering thousands of railway wagons, according to an interview published by Sovietskaya Rossiya, the Russian Communist party newspaper. The extraordinary claim was made by Mr V. Litov, cited as an economist and leading critic of the CFE (conventional armed forces in Europe) disarmament treaty signed in Paris last December.

He described the military exercise, carried out "in the shortest possible time", as an essential operation to protect the Soviet military from the "miscalculations of our diplomacy", and called on the Soviet parliament to refuse to ratify the treaty.

At the same time he confirmed the deep division between the Soviet military and the Ministry of Foreign Affairs, headed by Mr Eduard Shevardnadze, over the whole disarmament debate.

Mr Litov said the huge cuts in Soviet tanks required by the treaty – from 48,000 in Europe to just 13,000 in three years' time – amounted to virtual unilateral disarmament. Given the collapse of the Warsaw Pact, he said, there was now a big imbalance between Nato forces and those of the Soviet Union alone.

"This sharp reduction, unprecedented in history, is a very difficult and catastrophic process for our armed forces," he said. "It was caused by the desire of the Foreign Ministry, as soon as possible, and before the Paris summit [last November] to prepare this [CFE] treaty. A colossal amount of military equipment had to be destroyed, with corresponding tremendous expenditures which our economy simply could not stand.

"This is why the military, trying somehow to make up for the miscalculation of our diplomacy, organised this removal behind the Urals of thousands of tanks, artillery and other equipment." Western estimates suggest that 20,694 Soviet tanks, some 25,000 artillery pieces, and 15,500 armoured vehicles, vanished from eastern Europe in the months before the treaty signing.

Mr Litov's claims fit with other reports that Mr Shevardnadze's dramatic resignation before Christmas was precipitated by a fundamental clash with the Soviet military, and the failure of President Mikhail Gorbachev to support him.

Western diplomats in Moscow say that Soviet Foreign Ministry officials make no secret of their dismay at the military attitude to the CFE treaty. That includes not only the apparent removal of hardware behind the Urals, and therefore out of the Atlantic-to-the-Urals counting zone, but also to the last-minute reclassification of two divisions as "naval infantry", just days before the treaty was signed.

The issue is now seen as a threat to the US-Soviet summit in February, with US officials suggesting that a strategic arms limitation pact cannot be finalised without clarification on CFE. Moscow argues that there should be no linkage, and there is no reason to delay the summit.

Bonn fails to reach budget deal with states

By David Marsh in Bonn

THE BONN government and the 16 federal German states yesterday failed to agree on a new system of financing regional budgets, leaving in disarray efforts to fund the costs of economic restructuring in eastern Germany.

Yesterday's lack of progress on breaking the financial impasse leaves serious doubts whether the east and west German states (Länder) may after all have to resort to higher borrowing to meet increasing calls on their resources.

This would seriously endanger Bonn's plan to keep overall public sector borrowing down to DM140bn (£48.7bn) this year to avoid a damaging rise in interest rates. Of this projected deficit, DM70bn represents the shortfall in the central government's accounts. No less than DM25bn reflects the anticipated budget deficits of the cash-strapped eastern states and municipalities.

The states and the central government now face further negotiations in the next few weeks on a method of channelling tax revenues eastwards to help reconstruction.

Mr Gerhard Schröder, Social Democrat (SPD) prime minister of the west German state of Lower Saxony, said that the west German regions were firmly resolved to help the poorer states in the east. The question was simply how to accomplish this.

Protracted disagreement would add up to a grave setback for hopes of adapting the west German federal system to the challenge of unification.

At yesterday's meeting between Chancellor Helmut Kohl and the prime ministers of the 16 states, Mr Theo Waigel, the Finance Minister, flatly rejected the suggestion of higher borrowing by the German Unity Fund (GUF).

A DM6bn increase in fund-raising this year by the GUF – the public sector financing vehicle set up to channel funds into east Germany – was suggested by the Länder run by the opposition SPD.

This watered down the weekend proposal of the five newly-constituted east German Länder for a doubling of GUF, intended up to now to raise DM95bn over 4½ years.

The government, backed by the Christian Democrat (CDU)-governed states, yesterday put forward alternative proposals to increase east German states' revenues by DM14.6bn over four years. This would be achieved by changing the share-out of value added tax receipts among the federal states.

Mr Johannes Rau, the SPD Prime Minister of North Rhine-Westphalia, retorted that Bonn's VAT plan would lead eventually to higher public sector borrowing anyway because it would take away revenues from the western Länder which would have to be raised on the capital markets.

● The German government agreed with the 16 states not to limit the number of Soviet Jews allowed to settle in the country, Reuter adds.

Leaders try to hold Yugoslavia together

By Judy Dempsey in London

THE PRESIDENTS of Yugoslavia's six republics will today try to find a common solution to the country's serious political and economic problems in an attempt to prevent the federation splitting apart.

Hopes of reaching a consensus appear slim, however, following weeks of bitter exchanges between Serbia and Croatia and moves by the former to undermine prime minister Ante Markovic's economic reforms.

Mr Slobodan Milosevic, Communist president of Serbia, has tried secretly to acquire an 18bn dinar (£900m) bank loan aimed at increasing pensions and subsidising loss-making industries.

The deal was leaked to the prime minister, prompting a government statement earlier this week that the loan represented more than half the new money the federal government planned to make available to all Yugoslav banks this year.

The way in which the loan was acquired has highlighted the fundamental differences between Mr Milosevic and Mr Markovic on how to restructure the economy, banking and the political system.

These are reflected in the other republics which are now loosely divided into two camps.

The first group includes Slovenia, Croatia and Bosnia-Hercegovina. They support Mr Markovic's attempts to reform the economy, but oppose some of his remedies.

For instance, the government of Slovenia, which last month overwhelmingly voted for secession from the Yugoslav federation, has insisted that the country be organised on a confederal model in which the republics would have more autonomy.

Under its plan, which has some backing from Croatia and the republics of Bosnia-Hercegovina, Macedonia and the province of Kosovo, taxes would be levied by the individual republics, the army would be financed from the federal budget, and certain areas of foreign policy would be devolved to the republics.

Mr Franjo Tudjman, Croatia's president, will today ask the state presidency – a body comprising the six republican presidents – to accept its declaration of sovereignty.

In the other camp, Serbia, Montenegro and the province of Vojvodina staunchly oppose the confederal model.

Mr Milosevic has been at the forefront in advocating retention of the federal structures, despite the inefficient way in which decisions are made and power is distributed.

At the root of Serbia's insistence is its deep-seated fear that a confederal Yugoslavia would dilute its dominance of the federation.

The debate on the future organisation of Yugoslavia takes place against the background of Mr Markovic's inability to push through a reform of the fiscal system which would have been based on the federal level; the deteriorating state of the economy, exacerbated by Serbia's attempts to acquire secret loans, and growing ethnic tensions between the 600,000 Serb minority in Croatia and Croats.

● The Yugoslav state presidency yesterday ordered civilians to turn in all weapons, saying the country was threatened by armed rebellion and inter-ethnic violence, Reuter reports from Belgrade.

It said an unspecified quantity of arms had been smuggled into parts of the country.

"Illegal paramilitary armed units are thus being formed within some political parties which by their existence and planned terrorist activities represent a direct threat of armed rebellion and inter-ethnic conflicts," it said.

The statement gave no details, but it was clearly alluding to the northwestern republics of Slovenia and Croatia which have been rumoured to have been secretly stockpiling foreign weapons. Civilians were ordered to turn in all weapons to the nearest army unit within 10 days and the statement warned of legal action against those failing to comply.

A Berlin junk yard is the end of the road for hundreds of east German Trabant cars which citizens of the former Communist state once waited years for the privilege of owning

Slovakia will defy Prague's arms exports ban to protect defence jobs

By Leslie Colitt in Bratislava

THE independence-minded republic of Slovakia will defy a Czechoslovak government ban on the production and export of heavy weapons which threatened nearly 70,000 Slovak jobs, the republic's prime minister said yesterday.

The decision is a fresh challenge to Mr Vaclav Havel, the Czechoslovak president, who personally inspired last year's decision by Prague to wind down arms production and cease exports immediately on moral grounds. Czechoslovakia was the Warsaw Pact's second largest arms exporter and, until last year, supplied tanks to Iraq and trained Iraqi pilots.

Mr Vladimir Meciar, the Slovak prime minister, said the government's decision on Tuesday evening hinged on demand in the international arms market.

"It is our decision and we are not asking the federal government for approval," he said. Approval was not needed after January 1, under a new law redistributing powers between the Czech and Slovak republics and the federal government, he said.

Slovak leaders only last month threatened to secede from the Czechoslovak federation during a crisis in negotiations on the division of powers. They took offence when Mr Havel suggested that he would have to increase the powers of the presidency in order to deal with a secession threat.

Mr Meciar, who ironically is a member of the movement founded by Mr Havel, Civic Forum, emphasised that weapons made in Slovakia, the heavy arms forge of the nation, would not be sold in "areas of conflict".

The indications are, however, that this may be interpreted liberally. Mr Jiri Dienstbier, the Czechoslovak foreign minister, on his return from a visit to Saudi Arabia and the Gulf Emirates last week reported interest in buying Czechoslovak weaponry.

Mr Peter Milhok, a senior official in the new Slovak Ministry of International Relations, agreed that arms exports by Slovakia would conform with Czechoslovak foreign policy.

Slovakia could sell weapons to Saudi Arabia and other nations in the Middle East and North Africa but would continue banning exports to Iraq, Libya and terrorist groups, he said.

Under the federal government's original plan, arms production in Slovakia was to be cut by the end of next year to 7 per cent of its peak level of 1988. Slovak officials challenged this target, warning of the social implications of having nearly 10 per cent of the Slovak labour force – including its highest-paid workers and technicians – thrown out of work in the defence industry.

Mr Meciar said the federal government's decision to run down Slovak arms output swiftly had led to "very unfavourable consequences". New civilian products were proving difficult to find for the sprawling tank factory at Martin and other Slovak arms plants whose purpose-built machinery cannot be converted to civilian production.

No official figures are available on the current level of arms production in Slovakia or the Czech republic, which produces machine guns, rifles and other light arms.

Airbus makes first operating profit

By Paul Betts in Paris

AIRBUS INDUSTRIE, the four-nation European aircraft consortium, made its first operating surplus last year of about $120m and expects to do better in 1991.

The consortium, which includes Aerospatiale of France, MBB of Germany, British Aerospace and Casa of Spain, said yesterday it had delivered $4.6bn worth of aircraft last year and expected to see turnover rise to nearly $7bn this year.

However, Mr Jean Pierson, the chief executive, warned yesterday that the industry faced a "turbulent and uncertain period" because of airlines' financial problems, a credit squeeze on aircraft financing, the Gulf crisis and soaring jet fuel prices.

Although Airbus has moved into the black, its four partners face increasing financial pressures because of the low US dollar exchange rate. The consortium itself is unaffected because its accounts, payments and sales proceeds are in dollars.

It booked 404 new aircraft orders worth $27bn last year, and expects to win about 100 this year.

Airbus is particularly concerned about the turmoil in the US airline industry and the impact of the Gulf crisis on its Middle East airline customers. It believes several of its customers may decide to defer or cancel options in the coming months.

Egypt Air and Royal Jordanian Airlines are committed to about 10 aircraft this year, and Gulf Air is due to take delivery of a large number next year.

In the US, Airbus is reviewing a short-term lease agreement with troubled Pan American for 21 Airbus wide-body aircraft. Other financially strapped US airlines like TWA and Continental also have large numbers of Airbus airliners on order.

Airbus continues to expect strong long term demand for large aircraft, however. Mr Pierson said it would propose this year a stretched version of its twin-engine wide-body A330. It is also working on plans to expand its A340 long-range four-engine airliner.

He confirmed that the consortium was studying development of a 600-700 seater to compete with Boeing's jumbo.

Airbus also continues to be interested in developing a 100-130 seat version of its commercially successful A320 150 seat jet, Mr Pierson said. It is at present restricted to building aircraft of 150 seat or more. But he suggested the Airbus partners might need to consider lowering the limit. However, the priority remained in the larger aircraft range where the returns were higher.

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Brussels investigates French betting concern

By David Buchan in Brussels

THE European Commission has launched an investigation into possible unfair state aid by the French government to Pari Mutuel Urbain (PMU), the country's betting monopoly.

The Commission's action comes in response to a complaint by Ladbrokes, the British bookmaking concern, that PMU is getting unfair tax breaks at a time when the French organisation is trying to enter the Belgian and German betting markets.

The Commission investigation is not directly targetted on PMU's monopoly in France, though Ladbrokes also last year complained to Brussels on this score.

The EC probe is focused more on the potential distortion of cross-border competition if PMU extends its operations abroad, when it has benefited from exemption from French corporation tax and, in recent years, from tax write-offs and subsidies from the French government.

Ladbrokes is hoping that the Commission will outlaw future state help to PMU and possibly demand, as it has done in many cases of illegal state aid, recovery of past payments. According to a French court of auditors report in 1987, PMU obtained FFr1.3bn ($250m) from the French government between 1982 and 1985.

PMU's monopoly has been under indirect attack from Ladbrokes whose Belgian betting shops take bets on French horse races. The British betting company has complained to the Commission that PMU is selling its satellite horse racing service to one of Ladbrokes' competitors in Germany, but refusing to sell it to the British company.

The Commission has made the curbing of trade-distorting state aids an increasing feature of its competition policy.

Several recent big cases have concerned the French government, which last year conducted a protracted battle with Brussels over aid to the state-owned Renault car company.

Polish state sell-off to become a giveaway

By Christopher Bobinski in Warsaw

POLAND'S privatisation programme is expected to shift away from attempts to sell shares to the general public, towards the distribution of state-owned assets to the population through a free voucher system.

Mr Janusz Lewandowski, the candidate to head the Privatisation Ministry in the new government, yesterday told a parliamentary committee: "The story of the first five companies now being sold shows us that this is not the way to expand private ownership."

Tomorrow sees the closure of Poland's much publicised first share offer, in which Exbud, a construction company, has been oversubscribed and shares in the Silesian Cable company fully sold.

However, the government looks likely to be left with unsold shares in Tonsil, an electronics factory, Prochnik, a clothing manufacturer, and the Krosno glassworks.

Mr Lewandowski, whose candidacy is to be approved tomorrow along with the rest of the government, said that distribution of the share vouchers would probably be handled by a foreign company.

His ministry intended to go ahead with selling small state-owned enterprises and organising a regional structure which would enable the process to be decentralised.

Mr Lewandowski said his priority would be the privatisation of some 5,000 small companies which promised quick profits. Sales of the larger companies would continue, but greater emphasis would be placed on finding individual domestic and foreign investors rather than seeking private savings. Mr Lewandowski, 39, is the leader of the Liberal Democratic party, a small but influential free-market group which has four representatives in the proposed government including new prime minister Jan Krzysztof Bielecki.

Mr Lewandowski has for years been an economic adviser to Mr Lech Walesa, the former Solidarity leader who became president of Poland last month.

EUROPE IN BRIEF

Minister resigns over school death

Greece's education minister, Mr Vassilios Kontoyiannopoulos, was forced to resign yesterday after a teacher was killed in a riot at a high school in the western city of Patras, writes Kerin Hope in Athens.

The 38-year-old maths teacher died after being struck on the head by a desk in a clash between pupils.

The new minister, Mr George Souflias, formerly in charge of the economy, faces a hard task persuading teenagers to resume classes after a month-long sit-in at hundreds of secondary schools around the country.

Many pupils spent Christmas camping in their schools in protest at new measures tightening discipline in state education. The sit-ins continued even though Mr Kontoyiannopoulos postponed his plans to reduce the grades of students for unexplained absences from class and disciplinary offences.

Germans give $84m in aid

Germans have donated more than DM129m ($84m) to help the Soviet Union through a winter of food shortages, campaign organisers said on Wednesday, Reuter reports from Bonn.

German television, which along with the magazine Stern launched "Help Russia", by far the largest of several aid campaigns, said several people had given more than DM1m ($654,000) each since November.

Germans, thankful to the Soviet president Mikhail Gorbachev for agreeing to German unification, have responded generously to calls to send food to help overcome the shortages caused mainly by a breakdown in the Communist distribution system.

However, aid organisations have complained that traditional generosity to charities in the run-up to Christmas had been diverted to the Soviet campaign at the expense of aid recipients in the Third World.

Major relief agencies said last week that Africa's famine states, especially Ethiopia, Sudan, Mozambique, Angola and Liberia, were suffering as the world diverted aid to eastern Europe.

Mikhail Gorbachev

Party not ready for election

Albania's opposition Democratic Party has told Communist President Ramiz Alia it is not ready to take part in the country's first multi-party elections unless it has more time to organise, a party spokesman said yesterday, Reuter reports from Vienna.

Mr Genc Polo, one of six Democratic Party officials, said yesterday that the party, Albania's first independent force for 46 years, spelt out its stance on Tuesday at a two-hour meeting with Alia, who has insisted the vote should proceed as scheduled on February 10.

Mr Polo said their first meeting had brought no concrete results but both sides had agreed to reflect on their positions and possibly meet again.

The Democratic Party had not formally decided on a boycott but such a move was "a very great probablity" unless Alia changed his mind about a postponement, he said.

Soldiers die in explosion

Fifteen Soviet soldiers were killed when a tank exploded at a Soviet military base in northwestern Czechoslovakia on Wednesday, the state news agency CTK reported, Reuter reports from Prague.

It quoted Soviet army sources as saying a technical failure caused ammunition in the tank to explode. A fire followed. The accident occurred at the Bohosudov base outside Teplice near the German border.

Soviet-Israeli relations warm

The president of the World Jewish Congress met President Mikhail Gorbachev on Tuesday in a sign of a further warming of relations between the Soviet Union and Israel, Reuter reports from Moscow.

Mr Edgar Bronfman met Mr Gorbachev for 50 minutes and said he discussed the Arab-Israeli conflict, Soviet Jewish emigration to Israel and a number of other issues.

It was the first meeting between a Soviet president and the leader of a Jewish organisation since the Kremlin severed diplomatic relations with Israel in the 1967 Middle East war.

The visit came a week after Israel opened a consulate in Moscow, almost 24 years after the Soviet Union broke off diplomatic relations.

Some 200,000 Soviet Jews emigrated to Israel last year.

The World Jewish Congress was repeatedly denounced by the Kremlin in the 1970s as an instrument of "US imperialism" or of Western intelligence agencies.

Fog closes the Bosphorus

Thick fog closed the Bosphorus waterway to shipping on Wednesday and hit air and commuter traffic in Istanbul, Turkey's commercial capital, Reuter reports from Istanbul.

Ankara's international Esenboga airport was also closed to all landings and all but two flights out were delayed, airport officials said.

Maritime officials said the 19-mile Bosphorus strait separating Asia and Europe was closed to all shipping from 5am. Up to 100 ships a day, mainly oil tankers and cargo vessels, cross the waterway daily.

Rush-hour ferry services were halted in Istanbul, a city of eight million people.

Travellers were stranded at Istanbul's Ataturk airport when fog cut visibility below 100 metres, airport officials said.

Bulgarian food prices rise

Prices of basic foodstuffs and heating in Bulgaria are set to soar by between 300 and 1,650 per cent later this month, Reuter reports from Sofia quoting the Socialist Party newspaper Douma. Public transport fares are also set to soar.

Australians like EC plan

Australian companies are largely enthusiastic about the European Community's single market programme but many fear an increase in protectionism, according to a study released by the foreign affairs department yesterday, writes Kevin Brown in Sydney.

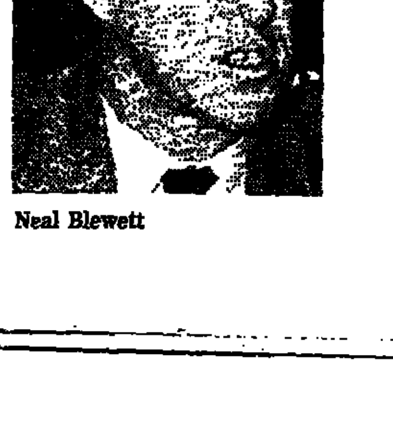
The survey, prepared by the Australian High Commission in London, found that more than 80 per cent of 104 Australian companies which responded were planning to invest in the EC in the next five years, mostly using Britain as a base.

About 60 per cent expected to benefit from the removal of frontier controls, harmonisation of technical standards, liberalisation of transport and progress towards monetary union. However, few saw benefits in liberalised public procurement rules or the removal of national quotas. Some were concerned about the prospect of increased rights for workers.

The greatest worry was the possibility of increased protectionism directed against non-EC companies, but the survey concluded that the overall mood had become more confident since an earlier study in 1989.

Dr Neal Blewett, Trade Negotiations Minister, said many Australian companies appeared not to understand the EC decision-making process and were unaware of how to lobby for their interests.

"Other governments and companies can and do influence EC decision-making at every stage of the legislative process, and Australian companies need to become more skilled in this area," Dr Blewett said.



Neal Blewett

Gradualist Greenspan plays a cool hand on rates

Michael Prowse on the low-key approach to easing Fed funds

MR Alan Greenspan, chairman of the Federal Reserve, the US central bank, has always favoured a gradualist approach to monetary policy. This week he excelled himself by signalling a quarter-point cut in the federal funds rate, to 6¾ per cent, so obliquely that many analysts were unsure an easing had occurred.

On Tuesday the Fed failed to drain reserves from the markets when the Fed funds rate – the rate banks charge on loans to each other – dropped below 7 per cent, the central bank's previous target for this key interest rate.

But the move was hard to interpret as both the Fed funds rate and the level of bank reserves have been exceptionally volatile in recent weeks.

The volatility – which has driven the rate as low as 1 per cent and, briefly, as high as 100 per cent – reflects both normal year-end adjustments to reserves by banks and distortions caused by the phasing in of new, lower reserve requirements intended to bolster bank profitability and help avert a "credit crunch".

The Fed's policy of making incremental changes in interest rates contrasts strongly with the tactics of other central banks. The Bank of England, for example, frequently signals full-point reductions in short-term rates, the most recent occurring when sterling joined the European exchange rate mechanism.

The Fed makes analysts' lives difficult by refusing to comment on its market operations. Changes in the Fed funds rate have to be inferred. This sometimes leads to errors: in November 1989, for example, markets wrongly assumed the Fed had sanctioned an easing.

The latest easing of the Fed funds rate is the sixth cut since last July, when the rate stood at 8¼ per cent, and probably the second leg of a half-point cut decided on in December when the Fed reduced the discount rate (the rate it charges on loans to banks) to 6½ per cent from 7 per cent.

Discount rate cuts are infrequent and highly visible signals of the Fed's monetary intentions.

Last December's cut was justified by "weakness in the economy, constraints on credit, and slow growth of monetary aggregates."

All these factors undoubtedly lie behind the new, apparently lower, target for the Fed funds rate. But the timing of Tuesday's move was puzzling as it followed better-than-expected employment figures the previous Friday.

In December non-farm employment dropped by 76,000 – less than the falls of 259,000 and 180,000 registered in November and October. Many analysts thus expected the Fed to wait until the release of producer price figures tomorrow and only sanction another quarter-point cut in the Fed funds rate if these were encouraging.

But two factors may account for the Fed's wish to move sooner. The first was to bolster confidence in the wake of the weekend collapse of Bank of New England. By signalling lower interest rates, albeit obliquely, the Fed is encouraging banks to make credit available on easier terms.

This argument cannot be pressed too far because the central bank has a history of not allowing individual bank failures to influence the conduct of monetary policy.

The other reason for a swift move is the Gulf crisis. The Fed may have wanted to push rates down before yesterday's meeting between Mr James Baker, US secretary of state, and Mr Tariq Aziz, Iraq's foreign minister, and well before expiry of the deadline for Iraq's withdrawal from Kuwait.

Most analysts expect the Fed to sanction further cuts in interest rates as the recession gathers momentum, although the next move may be delayed until February.

They point out that many consumers and businesses have not seen much benefit from Fed easing: commercial banks' prime lending rates are 9½ per cent, only half a point lower than a year ago.

But if Mr Greenspan stays true to form, and the economy does not collapse, the easing will be cautious and incremental rather than bold.

US angrily asserts corruption growing in Argentina

By John Barham in Buenos Aires

THE US ambassador to Argentina yesterday gave an unmistakable indication of US anger at growing corruption in the government of President Carlos Menem.

Mr Terence Todman said he had sent the government two letters in December complaining of bureaucratic delays to US investments, and claimed one company was asked to pay a bribe to approve imports of capital goods.

"On December 10 I sent a letter to the economy minister containing the cases of a number of American companies that referred to long delays in getting permission to invest, to import goods, or do other things, including the request for money to get [imported] goods cleared," he said.

The company which was asked to pay a bribe, according to Mr Todman, was Swift Armour, a leading meat packer and subsidiary of Campbell Soup.

The ambassador spoke after a 90-minute meeting with Mr Erman González, economy minister, to discuss press reports quoting the US embassy as the source of allegations of corruption in the government. Mr Todman said all the cases mentioned in his letters had been dealt with satisfactorily.

Mr González said his economic liberalisation policies were "directly attacking the source of possible connivance and favours" between officials and companies. Privatisation and deregulation reduced the scope for corruption by bureaucrats, he said.

However, bankers, businessmen and diplomats all agree that Argentina's aggressive privatisation programme has become riddled with corruption. The ambassador's letters came to light after Página/12, a Buenos Aires newspaper, reported on Sunday that a US company had been asked for a bribe. Further allegations emerged this week, involving half a dozen American companies whose investments were hampered by corrupt officials.

Mr Menem has promised to investigate the Swift Armour allegations.

US officials have complained repeatedly to the government about the extent of corruption.

Mr Todman's decision to make public Washington's concern indicates its view that Argentina has taken insufficient action to deal with the problem. A western diplomat said: "We are not against corruption because we are a goody two shoes. Our line is that corruption is hurting Argentina because it is discouraging foreign investors."

The US is also angry because, it claims, European companies have shown fewer scruples over paying bribes. The Foreign Corrupt Practices Act forbids US companies from paying bribes.

Bush releases $42m in El Salvador aid

PRESIDENT George Bush has decided to free $42.5m (£22m) in frozen military aid for El Salvador after concluding that Salvadorean rebels are committing human rights abuses and stealing weapons, administration and congressional sources say, AP reports from Washington.

Although the White House plans to release the money embargoed by Congress last year it will not move immediately to dispense any of it, the sources said.

The president's decision was to be forwarded to Congress yesterday as part of a status report on El Salvador's peace process and its investigation of the November 1989 murders of six Jesuit priests, their housekeeper and her teenage daughter.

Under the 1991 foreign aid law, half the $85m in military aid for El Salvador was frozen in an effort to encourage the government to reach a negotiated peace settlement with rebels of the Farabundo Marti National Liberation Front (FMLN).

As a warning to the rebels, the law stated the money could be restored if the FMLN failed to negotiate in good faith or continued to rely on violence to achieve its goals.

Specifically, the sources said, Mr Bush concluded that continued "significant shipments of lethal military assistance" from outside the country warranted restoration of the government's own military aid.

Some Democrats see the administration's move as an attempt to capitalise on the anger that followed last week's downing of a US army helicopter east of San Salvador and the alleged murder of its crew members.

The administration contends that two of the three men who died were executed by FMLN troops on the ground after they had survived a crash landing.

The concern among Democrat authors of the provision that withheld the military aid was that restoration of the money could further harm the atmosphere for United Nations-sponsored peace talks.

● Two prosecutors have quit the investigation into the murder of six Jesuit priests, AP reports from San Salvador. Judicial sources claimed it was because the government and military were mishandling the case.

Mr Roberto Mendoza, attorney-general, said the men resigned their positions "to dedicate themselves to the free practice of their profession". He denied they had been subject to pressures or death threats in the sensitive case.

But sources said Mr Alvaro Campos and Mr Edward Blanco resigned to protest at senior officials' handling of their probe into the 1989 murders, which many claim were carried out by an army unit.

A Mohawk Indian is arrested after protests on a reserve near Montreal late on Tuesday. Thirteen policemen and eight Mohawks were injured in the clash, sparked by a minor traffic incident.

Army support for Pinochet reaffirmed

CHILE'S army has publicly backed General Augusto Pinochet, the commander in chief, after allegations that the former president was losing some officers' loyalty, Reuter reports from Santiago.

A statement issued after a meeting of generals, including Gen Pinochet, on Tuesday said the army "restates its unconditional... loyalty to the commander in chief. It hopes that these irresponsible attacks will end as they do not only affect [the army] but pose a grave threat to national security."

The statement follows publication of a private newsletter written by former senior army officers, some involved in the military government, saying some generals were unhappy with Gen Pinochet's continued command.

Gen Pinochet handed over the government to President Patricio Aylwin in March last year after losing a 1988 plebiscite designed to extend his 17-year rule.

Gen Pinochet remained as army commander in chief, creating a headache for the civilian administration which took power after pledging to deal with the military's well-documented human rights abuses.

Relations between Gen Pinochet and Mr Aylwin are at their lowest point since the new government came to power.

Mexico seeks free-trade deal at summit

PRESIDENT Carlos Salinas de Gortari of Mexico today opens a two-day summit with five Central American presidents to discuss setting up a regional free-trade agreement to come into effect by the end of next year, Rebecca Doulton writes from Mexico City.

Mr Salinas's talks with the presidents of Costa Rica, Guatemala, El Salvador, Honduras and Nicaragua will include regional peace processes, drug trafficking, debt repayment and the San José regional energy pact.

Mexico has enjoyed a favourable balance of trade with Central America; last year it exported $444m (£230m) of goods to the region while importing only $55m.

"It is the duty of a larger country to co-operate with its neighbours and it is also convenient for us," said Mr Fernando Solana, minister of foreign affairs. Agricultural products will initially provide the largest volume of imports to Mexico.

The San José accord is likely to be a key element at the summit. Established in 1980 by Venezuela and Mexico, it ensures a steady supply of oil and credit to Central American and Caribbean countries.

Menem rules out pardon for officers in uprising

PRESIDENT Carlos Menem of Argentina said seven army officers sentenced to life imprisonment for leading a bloody revolt last month would not receive pardons while he was in office, writes John Barham.

Reserve Colonel Mohamed Alí Seineldín, the ringleader, and six other officers were sentenced on Tuesday for leading a mutiny on December 3, which cost 13 lives.

The seven men will be eligible for parole in 20 years and will be expelled from the army, a military tribunal ruled. The sentences must still be reviewed by civilian courts.

More than 500 junior officers and non-commissioned officers are being tried by the tribunal for their part in the day-long uprising. The government had demanded capital punishment for the rebels, but later President Menem ruled out any executions in Argentina.

Col Seineldín and three of the other soldiers convicted on Tuesday have served prison sentences for a previous rebellion. Mr Menem pardoned them in October 1989.

Australian trade deficit shrinks

By Kevin Brown in Sydney

AUSTRALIA'S current account deficit fell sharply in November, raising hopes that the deficit for the year to June may fall below the government's A$18bn (£7.4bn) target.

The government statistical service said the November deficit was A$1.349bn, or A$1.371bn after adjustments for seasonal factors. The unadjusted deficit was A$1.622bn in October, and A$1.874bn in November 1989.

The November figure took the unadjusted cumulative deficit for the first five months of the 1990-91 year to A$7.653bn, against nearly A$11bn in the same period last year.

The deficit reached A$21bn for the year to June 1990, equivalent to 5.5 per cent of gross domestic product.

Mr John Dawkins, the acting Treasurer (finance minister) said the figures showed the government's policy of using high interest rates to reduce imports was working.

However, the figures showed that imports rose by 6 per cent, reflecting continued strong demand in spite of Australia's slide into recession in the last quarter of 1990. Exports rose by only 2 per cent.

Mr Dawkins said the increase in imports was largely attributable to higher oil prices caused by the Gulf crisis, a build-up in oil stocks, increased defence spending, and a fall in the value of the Australian dollar.

"Today's figures show Australia is continuing to make progress in overcoming its current account deficit despite the pressures arising from a range of international factors."

Critics of government policy said the continued resilience of imports indicated that the deficit was likely to grow when the economy moves out of recession, which most analysts say will happen in the second half of this year.

South Africa takes further step along road to ending apartheid in education

Whites-only state schools open doors to blacks

By Philip Gawith in Johannesburg

SOUTH Africa came a step closer to ending apartheid in education yesterday when previously whites-only state schools in the Transvaal started the new school year by opening their doors to all races.

A total of 33 primary and secondary schools in the Transvaal admitted non-white pupils for the first time, under a scheme announced by the government last year allowing white parents to vote for schools attended by their children to become non-racial. Another 172 state schools around the country will follow suit later this month. Private schools have been mixed for some years.

The 205 schools represent about 10 per cent of the approximately 2,000 state-run white schools in the country, and include some of the country's best known state schools.

Predictably the majority of schools opening are in more liberal areas; 107 in the Cape and 64 in Natal, compared to the Transvaal's 33 and only one in the predominantly Afrikaans Free State. The overwhelming majority are English-medium schools.

The new scheme has been severely criticised in some quarters for failing to get to grips with the massive educational problems the country faces. Principal among these is the appalling state of black education.

Critics note that the new scheme leaves the decision to open white schools in the hands of white parents, involves a degree of privatisation and fails to address racial funding disparities and the issue of a single department of education. Currently the country is saddled with the complex and wasteful structure of 14 education departments – one for each homeland and one for each population group in the republic.

Apartheid in retreat: Black and white pupils together in South Africa yesterday on the first day of the school term

US hits at Philippine move to close bases

By Greg Hutchinson in Manila

THE US yesterday criticised Philippine proposals to "phase out" the US military presence within five years from September.

In talks on the future of US bases Mr Richard Armitage, the US negotiator, said the Philippine proposal ruled out in advance the possibility of an access agreement, a concession the Americans believed they had won from the Filipinos in earlier rounds. Such an agreement would have allowed the US port and flight rights, as well as giving it a small military presence in the Philippines.

Mr Rafael Alunan, a Philippines spokesman, said national interests, sovereignty and development defined his country's position on the future of the bases, which include Subic naval base, home of the US Seventh Fleet, and a crucial re-supply and repair centre in the event of a Gulf war.

Westpac's ambitions in South Korea end in acrimony

The Australian bank is the first to withdraw from Seoul because of labour disputes, writes John Ridding

WHEN union representatives from South Korea's foreign banks meet today, there is little doubt about what will top the agenda.

Earlier this week, Westpac, Australia's largest bank, announced its intention to close its Seoul operations. The reason – a protracted and acrimonious strike by 18 of its 38 workers.

The strike, and Westpac's response, have caused consternation in the foreign banking community. Never before has a bank withdrawn from the market because of a labour dispute.

The incidents at Westpac will probably harm Korea's reputation as a place to do business. "You would be foolish to ignore what has happened if you are considering doing business here," says Mr Jeffrey Clarkin, general manager for Korea of the Australia New Zealand Banking Group. "It strongly signals one of the difficulties of the market."

Labour problems, along with rising costs, have prompted a fall in new foreign investment in Korea. The number of new investment projects slipped from 332 in 1989 to 177 for the first three-quarters of last year. The number of departures has also increased.

But most believe the problems at Westpac are unlikely to trigger similar departures by other banks. Mr Clarkin, like most of his colleagues, plays down the implications. "I can't see this incident as serving notice to the other foreign banks," he says, pointing to Westpac's history of labour disputes in Korea. The Australian bank also suffered a difficult strike in 1988.

The latest episode in this history has been the most damaging. For the past 16 months management and unions have tried, unsuccessfully, to negotiate a new collective agreement. For the last four months, 18 of the branch's employees have been on strike, an action marred by accusations of violence from both sides.

Many of the differences, including salary and working conditions, have been resolved. But the most intractable problem – an unprecedented demand by the union for equal representation on a personnel committee – proved insoluble.

"This would give the union veto power over management decisions on personnel matters," says Mr Choi Dong Soo, chief manager of Westpac's Seoul branch. "We simply cannot yield on this fundamental principle of management rights."

Union leaders are now arguing that Westpac is bluffing and may even be considering re-opening after it has closed down. "Management has never officially informed the union that they are pulling out," says Mrs Choi Chung Ae, vice president of the Westpac Union. "It is all a big press play."

But Westpac rejects such claims. "We have started the process of closing the branch," says Mr Choi. "There is no hidden agenda."

With the departure under way, other foreign companies will be left to consider the lessons of Westpac's experience.

Most obviously, the episode demonstrates the disruptive power of a relatively small group of trade unionists. Westpac is by no means the only foreign bank to suffer from labour relations problems. Banque National de Paris and Barclays, among others, have also endured difficult strikes.

"It can be a very volatile situation," argues Mr David Hawkins, manager of Standard Chartered in Korea, which has enjoyed relatively peaceful labour relations. "Small militant groups can do so much damage."

He argues that the effects of the dispute could work in two ways. "On the one hand it is good for management because it will show the unions that they can't get away with unreasonable demands. But it may also tempt them to milk foreign companies for as much as they can if they think they are going to pull out."

For Mr Clarkin, the principal lesson is patience. "You must remember that the industrial relations system here is relatively young. The principles are fairly similar but you have to be much more patient in union dealings."

Despite the current concern, most believe that the incident at Westpac is unlikely to spread. "There is only a very small chance of sympathy actions," says Mr Lee Yoon Shin, chairman of the federation of foreign bank workers. He rejects claims that Westpac was targeted by unions as a test case.

Ironically, Westpac's departure comes at a time when many banks are talking of improvements in industrial relations. Pay demands, the traditional problem, have been much more restrained.

"Demands are still in the 50 per cent to 80 per cent range," says one foreign banker, "but last year we actually settled at about 15 per cent."

None the less, with profitability declining because of financial liberalisation and restricted access to funding, several banks are considering withdrawing from the market. "Most saw profits fall last year and this year will be tougher still," says one European banker. "I think we could see four or five banks leave over the next two years."

For those who are committed to the market, however, industrial relations will remain an important concern. All are hoping that if Westpac is the first bank to leave because of labour-management disputes, it will also be the last.

JAPANESE PREMIER REASSURES ROH ON LINKS WITH NORTH KOREA

Mr Toshiki Kaifu, Japan's prime minister, yesterday assured Mr Roh Tae Woo, South Korea's president, that bilateral relations would not be harmed by Tokyo's moves to normalise ties with North Korea, writes John Ridding in Seoul.

He said Tokyo would closely consult Seoul about its negotiations with Pyongyang and would press North Korea to accept inspection of its nuclear facilities, as desired by Seoul.

Mr Kaifu made his statements on the first day of a two-day visit to Seoul. His visit, intended to improve bilateral relations, is only the second to by a Japanese leader.

The two sides will today discuss the treatment of the estimated 700,000 Koreans living in Japan. This has been one of the principal irritants since Japanese colonial rule of South Korea ended in 1945.

The two sides are expected to agree on removing the requirement that Korean residents be fingerprinted and to decide on the legal status of third generation Koreans living in Japan.

Less progress is expected on economic issues. Korea has expressed increasing concern about the growing trade imbalance between the two countries. Last year, Japan's trade deficit with Korea rose by about 53 per cent to $6.09bn.

At dinner last night, Mr Kaifu apologised for Japan's occupation of Korea between 1910 and 1945. Today he will pay a symbolic visit to Pagoda Park, the birthplace of the 1919 anti-Japanese independence movement.

Pakistan sells bank

Pakistan yesterday completed the partial privatisation of a state-owned bank, selling 26 per cent of the shares of MCB (Muslim Commercial Bank) to a consortium of 12 investors for Rs840m (£20.5m), writes Farhan Bokhari in Islamabad.

The group is now required to manage MCB and sell 25 per cent more of the shares to the public. The government will retain 49 per cent.

The sale was seen as an important test for the government's recently introduced policies of privatisation and of giving incentives to industrial investors.

Nigerian imports up

Nigeria's imports from its main trading partners saw a substantial rise last year, but the government's decision last week to extend pre-shipment inspection could add to the difficulties of doing business in black Africa's largest market, writes William Keeling in Lagos.

Britain's position as leading exporter to Nigeria was strengthened in 1990, with exports rising by 37.5 per cent.

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WORLD TRADE NEWS

Paris export credit checks tightened

By William Dawkins in Paris

COFACE (Compagnie Française d'Assurance pour le Commerce Extérieur), the French export credit guarantee body, is to create a network of commercial information gathering and debt recovery agencies in central and eastern Europe.

It has just announced its first step, the creation of a Vienna-based agency named Intercredit, in partnership with Kreditschutzverband, an Austrian credit control group. This aims to create an intelligence network by taking stakes in local agencies.

The partners have just completed a co-operation accord with a Hungarian agency, Szensor, to form Intercredit Budapest and are negotiating with partners in Poland, Yugoslavia and Czechoslovakia.

This is part of Coface's policy of linking up with local credit agencies to improve its market intelligence on the ground.

Over the past two years, it has taken stakes in Eurocredit, a supplier of Italian information; NCM, the Dutch credit group; and Hermes, a German agency.

In the first half of last year, Coface guaranteed around 40 export contracts to businesses in Hungary, Poland, and the former East Germany.

Commission postpones review of farm reform

By David Gardner in Brussels

THE EUROPEAN Commission yesterday postponed its second of three scheduled examinations of reforms to the EC's farm subsidies regime, before the arrival today of Mr Arthur Dunkel, director-general of the General Agreement on Tariffs and Trade (Gatt), in Brussels to discuss prospects for relaunching the Uruguay Round trade liberalisation talks.

Mr Dunkel is to see Mr Ray MacSharry, the EC agriculture commissioner, and Mr Frans Andriessen, external affairs commissioner. The object will be to sound out whether the EC reforms – being negotiated in great secrecy – are likely to go far enough, fast enough, to resume the Round.

This was stalled last month when the US and Cairns group of agricultural exporters rejected the Community's offer to cut farm subsidies as insufficient.

Yesterday's postponement was officially attributed to a crowded Commission agenda. In addition, seven (of 17) commissioners absent from the first meeting last Friday now need to make written submissions before the Commission's "seminar" on the Common Agricultural Policy (CAP), from which reform proposals will go to the EC member states. This will now take place on January 20.

Commission officials describe the delay as an index of serious intent rather than prevarication. They are going to exquisite verbal lengths to present the CAP reform discussions as internally driven by the need to rein in farm spending, rather than orchestrated by "the background music of Gatt", as one official described it.

The Commission is acutely concerned to reach a unified position on farm subsidies. The EC signally failed to do this before and during the Uruguay Round summit in Brussels in December, when serious differences emerged within the Commission and between it and member states.

Shortly afterwards, officials say, Mr Jacques Delors, the Commission president, tried and failed to get support from Community governments for an EC heads of state summit on the CAP.

As this experience indicates, the perceived political unpopularity within the Community of cutting support to farmers makes it vital, in the Commission's view, that the reforms which emerge are seen to be an internal restructuring rather than a US imposition.

Divisions within the Commission remain sharp, according to one senior EC diplomat. "There is no agreement at all . . not even a common position on tactics: the wounds are still too fresh from the Gatt summit," he said.

None the less, one Commission spokesman insisted that "the Commission has indicated (to the Gatt) where there are areas of flexibility and that is still on the table."

At the December summit, the EC first proposed a 30 per cent cut in internal farm subsidies, over 10 years backdated to 1986.

The US, backed by the Cairns group, demanded a 75 per cent cut by 2000, a 90 per cent cut in farm export subsidies, and greater access to EC markets.

The Commission then proposed moving the base year for internal cuts to 1989; to discuss limiting exports either by cuts in volume or subsidies; and minimum levels of access for imports – though this latter was taken out of the offer by EC farm ministers.

On Tuesday, the French farmers' union said that reform of the Common Agricultural Policy, shifting its focus from price support towards direct income aid for farmers, would triple costs for the European Community.

Vietnam and Taiwan set up shipping line

A state-run Vietnamese container company, Viconship Saigon, and Taiwan's Uniglory Line of the Evergreen Group, have set up the first container shipping line between the two countries, the official newspaper, Hanoi Moi, said, Reuter reports from Hanoi.

The first 47 containers from Taiwan arrived in Saigon Port on December 29.

Meanwhile, Hanoi's state-run Vietnam Airlines has said it has leased a Boeing 737-300 from a Dutch charter airline, Transavia, as part of an effort to expand and modernise a fleet composed mainly of second-hand Soviet aircraft.

The Vietnam news agency said a contract signed by the two airlines would increase capacity on Vietnam Airlines' international and domestic routes.

The new agreement marks the second time communist Vietnam has leased a western aircraft, aviation officials said. The Australian airline, Qantas began monthly chartered flights to Vietnam in December.

Government aviation officials said that Vietnam Airlines signed a six-month lease at the end of December for the aircraft, which begins flights on January 22. Under the lease, the Dutch carrier provides pilots and crew.

Computer giants pool sales data

By Alan Cane

PERSONAL computer manufacturers worldwide are co-operating in an unprecedented fashion to pool their sales information in an attempt to create a more reliable and useful picture of the PC marketplace.

Last month, the Worldwide Microcomputer Statistics Association was established in San Francisco under the chairmanship of Mr Geoff Young of Compaq of the US, the leading manufacturer of high-performance PCs.

The executive committee includes representatives from Apple Computer, Intel, International Business Machines, Wyse and Zenith.

The worldwide membership includes Hewlett Packard and NCR of the US, Tulip and Philips of the Netherlands, Olivetti of Italy, Siemens of Germany and ICL and Toshiba of Japan. The initiative for the new association came from Intel of the US which is a microcomputer manufacturer in its own right, as well as one of the world's leading semiconductor makers.

It sprang from concerns that market research organisations were failing to provide market data of sufficient quality and reliability to be used as a basis for business planning.

In the US, semiconductor makers already pool sales data to help build an accurate picture of the market place, but PC makers have to date been reluctant to release critical market data.

The idea behind the new association is that members will feed confidential billing information in units and dollars to a third party, understood to be the consultancy Price Waterhouse, which will provide each company every quarter with the total size of the marketplace and their individual market penetration in various product categories.

Mr Roland Dietz of Tulip Computers, who with Mr Marcel Lebichot, head of research for Intel Europe, is organising the European activities of the association, said more reliable market intelligence would be "incredibly important" to the personal computer industry.

It would provide companies with better control of investment, production and product introductions.

Mr James Beveridge, computer industry analyst for the consultancy IDC in the UK, said he endorsed the new body and believed market research organisations should work with it to ensure its success.

GEC Alsthom secures $164m train deals

GEC Alsthom, the Anglo-French engineering group, has confirmed that it has received train-locomotive orders, with a combined value of $164m (£85m), from the Netherlands and Ecuador, Ronald van de Krol writes from Amsterdam.

Dutch Railways, a long-standing customer of the GEC-Alsthom rail division, has ordered 43 electric locomotives for £70m. This is a follow-up order to a previous purchase of 38 locomotives.

These are still under construction and deliveries are expected to begin in the second half of this year.

GEC Alsthom, which is legally registered in the Netherlands but has its head office in Paris, is also to supply Ecuador's national railway company with nine diesel-electric locomotives for use on the mountainous 447km route between the Pacific port of Guayaquil and the capital, Quito.

Deliveries will start in the middle of next year.

The Dutch rail company already has a total of 133 electric locomotives and 131 diesel locomotives in service on the Dutch rail network, all made by GEC-Alsthom.

Imports take on Brazil's car makers

Christina Lamb on the new challenge to a much criticised industry

WHEN President Fernando Collor recently announced the opening of Brazil's car market to foreign imports Brazilians began poring over motor magazines to select their dream machine. Thus it was somewhat disappointing when after 30 years the first foreign cars to arrive in any number were Soviet Ladas.

Billboards across Brazil will soon be plastered with pictures of Soviet President Mikhail Gorbachev asking: "Would you buy a car from this man?" If the long-protected Brazilian motor industry has any say in the matter customers will not get the chance.

The arrival of the $8,000 (£4,145) Ladas, under-cutting most Brazilian models, has spurred the formidable auto industry lobbying machine into action, accusing the importers of dumping and warning of the threat of mass lay-offs.

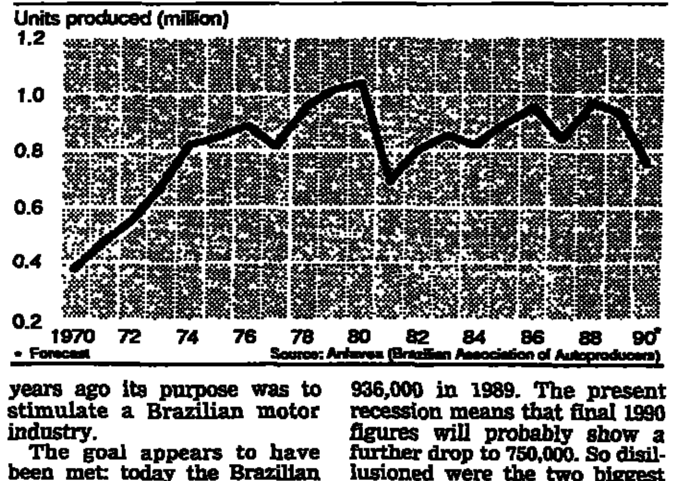
But the dreams of Brazilian consumers over the possibilities opened by liberalisation remain. At the annual motor show hundreds of thousands endured two-hour traffic jams to stare at a gleaming red Ferrari with a price tag of more than $1m.

The placing of Gurgel, Brazil's only indigenous car producer, on the next stand was a little unfortunate. In contrast to the Italian car's sleek lines and gadgetry, the Gurgel BR800 is little more than a crude box on wheels.

But there was logic behind the layout. Mr Jacy Mendonca, president of the auto producers' association (Anfavea), explained: "We want people to see that they must choose between cheap and sophisticated – liberalisation does not mean they can have both."

The irony is that while this year's show attracted unprecedented crowds because of the chance to see foreign cars, when it was initially begun 30 years ago its purpose was to stimulate a Brazilian motor industry.

Brazilian motor industry



* Forecast Source: Anfavea (Brazilian Association of Autoproducers)

The goal appears to have been met: today the Brazilian motor industry accounts for 11 per cent of GDP. In 1989 it earned $3.2bn in foreign sales and supported 4.1m workers in direct and indirect employment. It drives other large industrial sectors – such as steel, glass and plastics – making its performance politically very sensitive.

Thus it is crucial how, in coming months, the motor industry faces up to the new challenge. Car producers will receive little sympathy from the government, which regards them as among the worst villains among Brazil's many powerful cartels. Since the 1950s they have been protected by high tariffs and import bans. The huge potential market persuaded Ford, Volkswagen, General Motors and, most recently, Fiat, to set up local production. These four account for over 98 per cent of sales.

But the great promise shown in the 1970s was not borne out in the 1980s, when optimistic predictions that annual production would reach 2m units were confounded by the second oil shock and the debt crisis.

Instead production fell from more than 1m units in 1980 to 936,000 in 1989. The present recession means that final 1990 figures will probably show a further drop to 750,000. So disillusioned were the two biggest producers, Ford and Volkswagen, that while deadly rivals moved elsewhere, in Brazil they merged their operations into the holding company Autolatina, which has 63 per cent of car sales.

Mr James Donaldson, head of Autolatina, is fed up and angry at charges that producers are providing little choice at inflated prices. Car taxes in Brazil are, he says, the highest in the world and have just been raised from 42.2 per cent to 45 per cent.

Taxes and production costs together account for 89 per cent of the final price and with domestic sales falling, the manufacturers chalked up losses for most of the 1980s. They were sustained only by financial speculation, which last year produced as much as 80 per cent of revenues, and by exports.

Exports tripled between 1979 and 1988 to 332,000 units. But even that has now been hit by an overvalued cruzeiro and huge price increases for raw materials and energy. Fiat cut their exports but Autolatina is committed to contracts. Says Mr Donaldson: "This year we'll lose money barring miracles."

Costs are so high that Ford is now assembling truck kits made in Brazil in Kentucky because it is cheaper. Mr Donaldson adds: "It seems incredible that not long ago Brazil was very much in the thinking of both Ford and VW as a major source of vehicles and components for western Europe and the US."

Manufacturers fear Brazil may lose its position as the leading producer in Latin America to Mexico, which is now assembling 600,000 cars a year. They are angry that while their industry has been liberalised the electronics sector remains heavily protected, thus preventing them from importing the technology and electronic equipment needed to compete.

Mr Marco Carvalcanti, the vice-President of Gurgel, which currently produces Brazil's cheapest car at $7,000, complains that Brazilian producers are also disadvantaged by having to use 70 per cent local content, over which suppliers have a monopoly.

In theory imports should pose little threat as local producers estimate that high tariffs and taxes add a 450 per cent premium. But Mr Paolo Braga, spokesman for Lada, argues that "this figure is a myth created by producers to protect themselves – it applies only to luxury cars imported individually. We can sell cheaply because we are importing large numbers."

The next test will be the arrival of imports from Land Rover, which is considering setting up a plant. While in the short term producers are pessimistic, long term they see new opportunities in the establishment of a southern cone common market. Autolatina is already integrating its Brazilian and Argentine operations to start cross-border exports from January.

مكتبة الأهرام

Building workers risk being the 'navvies' of Europe

By Charles Leadbeater, Industrial Editor

BRITISH building workers are in danger of becoming the navvies – hard labourers – of Europe, according to a report published yesterday by the National Economic Development Council.

The report warns that without substantial restructuring the British construction industry risks losing ground to Continental European and Japanese groups, which are emerging forces in the increasingly international market for large projects.

These foreign groups have often have greater financial strength that their British counterparts, they use integrated teams of designers, engineers and construction teams and spend more on training and research and development.

There is a danger that these international groups will take a growing share of large, complex projects forcing the British industry into the lower value added end of the market, according to the report.

The report says :"Continental and Japanese competitors are already targeting export markets, with the prospect for United Kingdom firms of erosion of market share at home without a compensating growth across the Channel."

Sir Christopher Foster, chairman of the NEDC construction industry sector group said he expected 1992 would be a worse year for the industry than this year as commercial property projects came to an end.

The housing construction industry was bottoming out after a very sharp fall, according to Sir Christopher, a director of Coopers & Lybrand Deloitte.

The report estimates that building costs for offices, factories and shops are about 30 per cent higher in the UK than in the US and Continental Europe. It cost £131 per square foot to build an office in the UK in 1989 compared with £88 in Germany, £70 in France and £60 in the US.

British industry, however, invests far less. In 1987 investment in the UK construction industry amounted to 2.6 per cent of output, lower than Germany at 4.9 per cent, France (10.9 per cent) and the US (3.2 per cent).

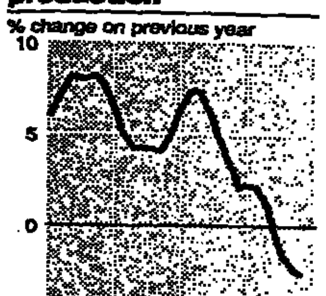
Research and development spending in the German and French construction industries is about 40 per cent higher than in the UK.

Construction: Restructure to Win, is available from the NEDC, Millbank Tower, Millbank, London SW1

UK chemical output falls as European production rises

By Clive Cookson

Trend in UK chemical production



Source : Chemical Industries Association

OUTPUT of chemicals in the UK fell by 0.5 per cent in 1990 and the industry's economic experts are forecasting a further fall of at least 1 per cent in 1991. In contrast, chemical production in continental Europe rose by 2 per cent in 1990 and is expected to grow by 2 per cent again this year.

Mr Richard Freeman, who is chief economist at ICI, the largest UK chemical company, presented the Chemical Industries Association's annual economic statistics to a conference in London yesterday.

The recession-resistant pharmaceutical sector is the only part of the UK chemicals industry expected to increase output in 1991 – by 3 per cent. Forecasts for the other sectors range from a 4 per cent decline in organics, plastics and dyestuffs to a standstill in fibres, detergents and cosmetics.

Mr Freeman said the chemical industry forecasts were based on the assumption of continued recession in the general UK economy, with a 0.5 per cent fall in gross domestic product and a 2 per cent decline in manufacturing output. "The forecasts are all based on the assumption of a peaceful resolution to the Gulf crisis or a short war." Mr Freeman said.

Mr Freeman said the association's economics panel believed a "weak recovery" in chemicals production could begin in the second half of 1991. He added, however, that "assessing the risks in the forecast, the balance is on the side of a weaker development with no recovery through the year."

With demand for chemicals weakening in the UK and still growing on the continent, "there will be an improvement in the industry's real trade balance for the first time for several years." The chemicals trade surplus is expected to increase from £2.4bn in 1990 to £2.6bn this year.

Apart from the UK, all the European chemical associations are forecasting increases in output this year. These include 4 per cent growth in Belgium, 3 per cent in Spain, 2.5 per cent in France, 2 per cent in Germany and 0.5 per cent in Italy.

National Economic Development Council

Lamont hopeful on UK recession

By Peter Norman, Economics Correspondent

MOVES TO calm fears that the recession in Britain could be as bad as that of 1980-81 came yesterday from Mr Norman Lamont, the Chancellor of the Exchequer.

He told the National Economic Development Council in London that while Britain was entering a difficult year there was no reason to suppose that the recession would have anything like the dimension of that of the early 1980s.

In his first appearance before the tripartite gathering of representatives from industry, government and the trade unions, Mr Lamont insisted that government policies would stay unchanged. He told both sides of industry that the government's priority was to reduce inflation and there was no question of devaluing sterling in the exchange rate mechanism of the EMS.

Speaking after the meeting, Mr Walter Eltis, NEDC's director general, said the chancellor underlined that:

- Sterling's real exchange rate was lower than in 1980-81,
- the underlying rate of inflation that needed to be reduced was much lower than 10 years ago, and
- even the most pessimistic forecasters said output would fall by only one per cent this year.

By contrast, output fell by more than 5 per cent between

the peak and trough of the previous recession. At that time, Mr Eltis said, the government was aiming to reduce the underlying inflation rate to 5 per cent from 20 per cent. The government's present goal is to cut underlying inflation – which is retail price inflation minus mortgage interest payments and the poll tax – to around 3 per cent from around 8 per cent, Mr Eltis said.

Mr Lamont was supported by Mr Michael Howard, the employment secretary. He said that 57 per cent of people being made unemployed found new jobs within three months and predicted that the long drop in unemployment, which ended last Spring, would resume.

Others attending the meeting were less sanguine. Sir James Ackers, representing the chambers of commerce, said the recession felt like that of the early 1980s which had led to the loss of 25 per cent of manufacturing capacity and persistent balance of payments problems.

From the trade union side, Mr Rodney Bickerstaffe, general secretary of the National Union of Public Employees, argued that Britain had entered the European exchange rate mechanism (ERM) at too high a rate and should take advantage of a general realignment of European Monetary System (EMS) parities to achieve a devaluation of sterling against the D-Mark.

But the chancellor said there was no question of a change in Britain's ERM bands while Mr Robin Leigh-Pemberton, the governor of the Bank of England, said he thought a general EMS realignment was virtually inconceivable. The other main EMS countries would resist such a move.

With Budget preparations soon to begin in earnest, both the Confederation of British Industry, the employers' association, and the Trades Union Congress urged the government to adopt a more active fiscal policy following sterling's entry into the ERM.

The TUC advocated increased public spending on research and development, training and help for the poor. The CBI, by contrast, called for a reduction in business taxes to boost investment. Sir Brian Corby, CBI president, said tight controls over public spending would also allow interest rates to be cut sooner rather than later.

- National training bodies that service specific industries may be in danger because of the local priorities of the government's 82 new Training and Enterprise Councils. Mr Eric Hammond, general secretary of the EETPU electricians' union told yesterday's full NEDC meeting.

Mr Hammond's concerns were raised in a debate on training which was truncated because of the time spent on an earlier debate on the economy.

The economy also featured in the training debate with several participants, including Sir Bryan Nicholson, chairman of the Post Office, warning that the recession could adversely affect training expenditure made by companies.

He said, however, the latest Confederation of British Industry survey, taken in October, indicated that the number of companies intending to spend more on training was larger than those intending to cut.

Trade associations urge government to modify ECGD sale

By Peter Montagnon, World Trade Editor

LEADING TRADE associations yesterday wrote to Mr Tim Sainsbury, trade minister, urging the government to modify its plan to privatise the short-term insurance division of the Export Credits Guarantee Department (ECGD).

The letters, sent by the British Exporters Association and London Chamber of Commerce as well as other groups, warned of their concern that the level of insurance services offered to exporters could suffer both in terms of markets covered and credit period available as a result of privatisation.

"We are concerned that the private insurance market does not have the capacity to underwrite the political risk obligations routinely accepted by ECGD at present," says the letter from the London Chamber of Commerce.

The proposed reinsurance arrangements between the government and the newly privatised company should not expire automatically after three years, but should be reviewed at that time, it adds.

In their letters, the associations also called for the government to remain the export insurer of last resort to prevent British exporters being put at a disadvantage compared with their European competitors.

They warned that the sale could lead to establishment of a "detrimental monopoly" in the UK market if ECGD was bought by a British company. Yet a foreign buyer might not have the best interests of British exporters at heart.

Yesterday's warnings by the associations followed the first expression of interest in the ECGD by an overseas company.

NCM, the Dutch credit insurance agency, revealed it was interested in purchasing the short-term credit insurance division of the department.

Though Mr Peter Lilley, Secretary of State for Trade and Industry, has held informal talks with exporters to discuss ECGD this week, his department has declined to make any official comments ahead of the parliamentary debate on the privatisation scheduled for next Tuesday.

London rail accident prompts inquiry into carriage overcrowding

By Emma Tucker

MR MALCOLM RIFKIND, the transport secretary, is to examine the issue of overcrowding on trains following Tuesday's Cannon Street rail crash in London, the transport department said yesterday.

Mr John Prescott, the Labour opposition party's transport spokesman, who met Mr Rifkind yesterday, said the minister had been assured by British Rail that it had achieved its train loading objectives, which state that there should be no standing for journeys over 20 minutes – except by choice – and no more than 10 passengers standing per 100 seats.

Mr Prescott said Mr Rifkind had been "astonished" by that assurance. BR, meanwhile, said that during peak hours on Network Southeast an average of 13.5 people per 100 seats stood.

During the meeting with Mr Prescott, Mr Rifkind had defended the level of investment in safety on BR. He said that he did not accept that economies forced on BR had affected safety.

Mr Prescott criticised the government's decision to reduce subsidies to BR.

Network South East received £90m in subsidies in 1989-90 but is expected to make a profit by 1992-93.

He said there had been an increase in the number of significant accidents, especially those involving buffers.

Mr Rifkind said: "We have never refused nor would ever refuse any request from BR for expenditure required for safety reasons."

Mr Prescott also drew attention to how old many of the coaches used by BR were. The average age of coaches in use on Network Southeast is 19 years.

BR said that old rolling stock was already being replaced including the type of train involved in the accident on Wednesday which was due for renewal by the end of the year.

Mr Prescott said Mr Rifkind had promised to make a statement about the Cannon Street crash when parliament resumes after the winter recess. He asked Mr Rifkind to consider to the difficulties of the south east region.

BRITAIN IN BRIEF

UK orders for GEC Alsthom

GEC Alsthom has announced orders worth about £70m for two gas-fired combined cycle power stations in the UK. GEC Alsthom is a power engineering and transportation equipment joint venture between GEC of the UK and Alcatel Alsthom of France.

Sir Robert Davidson, vice chairman and chief executive, revealed in Amsterdam that the company has total orders or letters of intent relating to five UK combined cycle projects.

Combined cycle power plants link steam and gas turbines to produce more efficient power generation and will play a major role in the transformation of the UK power industry after privatisation.

Housing market picks up

The decline in British house prices is coming to an end, according to statistics for the last quarter of 1990 released by the Halifax Building Society.

Greater London and the south-west both reported slight increases in house prices between September and December last year – the first rise since 1988. But, nationally, the trend is still downwards.

The level of house prices in London rose by 0.9 per cent, and those in the south-west by 0.8 per cent during the period. Nationwide, they fell by 0.6 per cent, with the average house now costing £66,811.

Last act for oldest theatre?

Britain's oldest working repertory theatre, and artistically one of the most successful, will close in three months unless it works out a financial rescue package. Liverpool Playhouse has called in the administrators and could be wound up.

In the meantime, the 80-year-old company will continue its programme of productions under the control of insolvency expert Mr Frank Taylor of accountants Ernst and Young. Mr Taylor was appointed administrator by the High Court.

Bidders emerge for radio station

Lord Hanson, whose Hanson group owns London's easy listening Melody radio station, and London Jazz Radio, the company behind Jazz FM, are considering whether to bid for a new national FM independent radio station.

The specification for the new station, the first of three, was announced by the Radio Authority, the newly formed body to regulate the independent radio network.

Lord Chalfont, chairman of the authority, said the new station was intended to offer an alternative to the pop and rock music that dominates much of the airwaves.

Engineers call for incentives

Engineering companies in the West Midlands, heartland of the UK's industry, are pleading with Mr Norman Lamont, the chancellor of the exchequer, for fiscal incentives to achieve an industrial revival.

The Engineering Employers' West Midlands Association has submitted a paper to the chancellor, as he prepares for his next budget, on the economy and its effect on the engineering industry.

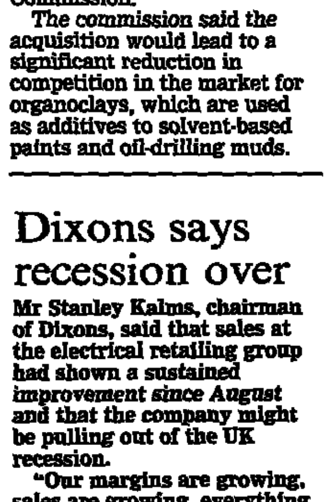
"Ways must be developed to increase the level of quality investment in manufacturing; financial policies must be reviewed.

It would be valuable to have a dialogue with the government to thrash out various misconceptions and misunderstandings," Dr Cedric Thomas, the association's chief executive, said.

Akzo sale to Valhi blocked

Mr Peter Lilley, trade and industry secretary, has blocked the proposed sale by Akzo, the Dutch chemicals group, of its UK organoclays business to Rheox of the US.

The decision was taken on the recommendation of the



Peter Lilley: blocked sale to Valhi subsidiary

Monopolies and Mergers Commission.

The commission said the acquisition would lead to a significant reduction in competition in the market for organoclays, which are used as additives to solvent-based paints and oil-drilling muds.

Dixons says recession over

Mr Stanley Kalms, chairman of Dixons, said that sales at the electrical retailing group had shown a sustained improvement since August and that the company might be pulling out of the UK recession.

"Our margins are growing, sales are growing, everything is growing and it is a sustained growth," he said, in spite of announcing a sharp drop in profits from £32m to £27.2m in the 28 weeks to November 10.

His comments come in stark contrast to the tales of deepening recession emerging from many other retailers and seemingly fly in the face of statistical evidence that has shown that retail sales growth has declined to its lowest levels in a decade.

Lex, Page 12

Growth in UK tourism slows

The growth in international arrivals to the UK is slowing, according to figures recently published.

The International Passenger Survey for October shows that only 2,000 more overseas visitors came to Britain than in the same month a year ago.

This marginal increase, to a total of 1.45m, compares with an overall 4 per cent growth in visitor numbers in the first 10 months of the year.

Mr Michael Medlicott, chief executive of the British Tourist Authority, warned that 1991 would "be a difficult year and Britain will have to work hard to main its success".

Michelin faces protest

Production workers at the Stoke-on-Trent plant, in northern England, of Michelin, the tyre manufacturer, are to protest about a three-month delay in pay talks.

Workers have discovered that the company's sales staff have received a 9 per cent rise.

The Transport and General Workers' Union, which represents about 1,800 production workers at the plant, originally accepted the proposal of a delay in wage talks in the light of the company's financial difficulties.

High rent debts in Ulster

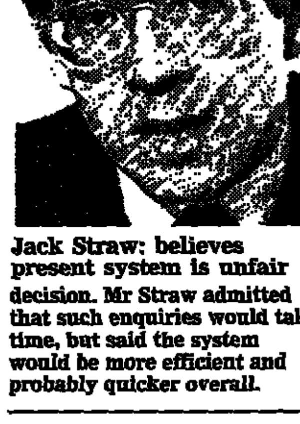
Nearly half the companies renting factories from the Industrial Development Board in Northern Ireland are in rent arrears.

A report by the Commons Public Accounts Committee, however, said rent debt to the board had been cut from £1.6m – 29 per cent of total rent – in March 1989, to £600,000 by last June. The board was set up to foster local industry.

Call for school enquiries

Enquiries should be held into all proposals for the reorganisation or closure of schools, according to Mr Jack Straw, the opposition Labour party's education spokesman. He also urged that the powers of education ministers should be reduced,

In a consultative document, Making Better Use of Schools, Mr Straw criticised as wasteful and unfair the current system whereby local authorities make reorganisation proposals and ministers make the final



Jack Straw: believes present system is unfair

decision. Mr Straw admitted that such enquiries would take time, but said the system would be more efficient and probably quicker overall.

Correction

Contrary to the report in yesterday's issue of the FT, the Arle Court factory of Dowty Fuel Systems is not to close. Under a restructuring programme, the workforce of about 950 is to fall by 300 over the next year.

Reading studies point to poor standards

By Norma Cohen, Education Correspondent

READING levels among primary school children are below standard, Mr Kenneth Clarke, the education secretary, said yesterday. In addition, a fifth of seven-year-olds in England and Wales are receiving inadequate instruction, while a small but significant number of 11-year-olds can barely read at all.

Announcing the results of two government studies into the reading standards of seven-year-olds, Mr Clarke said that: "The standards of reading of pupils in our primary schools are not good enough."

The fact that 20 per cent of instruction is poor is "deplorable", he said. Mr Clarke demanded that local education authorities take steps to improve the quality of reading instruction and ordered further monitoring of standards.

The two studies were conducted by the National Foundation for Education Research and the independent schools watchdog, Her Majesty's Inspectorate of Schools. Both were commissioned last July after educational psychologists at nine local education authorities released their own test results showing that reading standards had been declining.

Britain fails to secure the true hallmark of a literate society

Two studies on the reading skills of seven-year-olds pose some disturbing questions to educators, writes Norma Cohen

IF a literate population is the hallmark of an advanced society, then the latest studies on the reading skills of seven-year-olds pose disturbing questions for England and Wales.

Mr Kenneth Clarke, the education secretary, yesterday announced the results of two government studies. These showed that some 20 per cent of seven-year-olds in England and Wales receive sub-standard reading instruction and that only 30 per cent benefit from high-quality teaching.

According to one of the reports, prepared by the independent schools watchdog Her Majesty's Inspectorate of Schools, the picture becomes even more depressing as children grow older.

By the age of 11, although three-quarters of children can read on their own, most are not being challenged to develop advanced reading skills. Some 25 per cent are not as fluent nor as accurate readers as they should be. A small, but very significant number, are still non-readers.

"The standards of reading of our pupils in primary schools are not good enough," Mr Clarke said, describing the test results as "deplorable".

The government has responded by ordering further inspections of reading programmes and has put out standards of good practice for reading instruction to all schools.

Although there is insufficient reliable information about trends in reading skills, the limited data available point to an unmistakeable decline, particularly between 1985 and 1989.

Significantly, the studies show no evidence that newfangled teaching methods are to blame. Indeed, virtually all schools use a combination of methods to teach reading. The use of any one approach – of whichever type – was found to be harmful.

Regardless of the latest evidence, the debate over how best to teach reading is unlikely to die, particularly since certain approaches have become identified with points on the political spectrum.

The two latest studies were ordered last July by former education secretary, Mr John MacGregor, after a leaked report by education authority psychologists indicated the biggest fall in reading standards among seven-year-olds for 45 years.

They blamed the decline on new teaching methods, such as "real" books, in which children

Learning to read: reliance on any single teaching method can be counter-productive

learn reading by choosing books that they enjoy. This method had been identified with so-called "child-centred" learning, championed by some on the left and decried by the right.

Mr Martin Turner, educational psychologist in the London borough of Croydon who released the results, instead urged that phonics become the basis of all reading instruction. Reliance on phonics has been championed by some on the right.

But reading experts caution against an over-reliance on phonics – that is, the "sounding out" of words based on knowledge of the alphabet.

For one thing, English is not a particularly phonetic language. Thus, a child reading the word "come" may pronounce it as though it rhymed with "home" and would pronounce "know" as though it rhymed with "now".

"Children have to learn whole words, they do have to use phonics and they have to read in context," said Mr Donald Moyle, former general secretary of the UK Reading Association. He believes there is a place for real books, phonics and the look-say method in which children are taught to recognise whole words.

Indeed, the latest studies show that schools attaining the highest reading standards are characterised not by the method they select, but by the organisation of instruction and the emphasis placed on reading.

Firm leadership by the head and a reading policy clearly understood and followed by staff are considered the essential elements of success.

Although neither study found evidence that social deprivation or limited resources were to blame for reading failures, HMI said that high rates of teacher turnover have an impact on reading skills.

In a quarter of the schools inspected, more than half the teachers had left during the previous three years. Only one of these schools was achieving high-quality reading results; in half, the standards were poor.

Among the most disturbing findings is the paucity of information available on the reading ability of seven-year-olds. One of the studies found that only 26 of the 94 local education authorities surveyed had kept comparable data on the test results of this age group.

The reluctance to require standardised testing of youngsters – with results available to the public – is in sharp contrast to educational policy in other countries, particularly in the US.

In New York City's troubled school system, for instance, schools are ranked annually – based on how well their pupils are reading.

Mr Clarke said the introduction of the National Curriculum and the requirement that the language and reading skills of seven-year-olds be tested should go a long way towards allowing public monitoring of ability.

However, critics point out that schools are not required to publish the aggregate test results of seven-year-olds, leaving no room for comparing schools or for monitoring progress.

MANAGEMENT: Marketing and Advertising

Privatisation

Power to the people

The UK government has gone extra-terrestrial to launch the offer for shares in the two generating companies, reports **Juliet Sychrava**

The scene is an alien planet, in a meteorite shower. Enter Captain Kirk, of Star Trek fame, accompanied by a glamorous blonde, and pursued by aliens. He urgently radios the Starship Enterprise with those immortal words "Beam me up, Scotty!" So far, so familiar. But from here on, we boldly go where no Star Trek programme has previously gone.

When Scotty mistakenly beams down an umbrella, Kirk responds with a waggish, "Not a brolly, you wally!" Scotty's second attempt to beam up the Captain and his sidekick results in their respective heads landing on each other's bodies, leaving the Captain running his hands over unfamiliar curves in dismay. Finally, Scotty gives up. "I haven't got the power!" he announces despairingly.

At this point, actor Simon Cadell, of Hi-de-hi and Colditz fame, appears on the screen. "He hasn't got the power. But you could have: National Power and PowerGen. To register for a prospectus in the generating companies' share offers, call 0272 272272."

We are not, after all, on an alien planet. This is the first in a series of TV advertisements devised by Collett, Dickinson Pearce (CDP), the privately-owned UK agency responsible for the government's £6m-£7m campaign advertising the sale to the public of the two generating companies of England and Wales.

Less well known than the regional electricity companies, which are all too familiar to recipients of electricity bills, the generators have already launched their own corporate campaigns designed to raise public awareness of what they do. If all goes well, when the government campaign finishes at the end of February, they should be household names.

The first advertisements in the campaign will appear on TV screens today, slotted into breaks in major feature films, the ten o'clock news, and other high-profile programmes, and closely followed by press advertisements. The central theme will be "having – or not having – the power". Another advertisement features old black and white footage of "Lady Bagworthy" trying, but failing, to launch a ship with a bottle.

But despite the common touch implied by the "Sid" and "Frank" campaigns for gas and the regional electricity companies, respectively, the Daily Mail is the only tabloid newspaper being targeted.

"We aren't marketing as widely as we did for the regional electricity companies," says Cary Martin, deputy chief executive of Dewe Rogerson, the PR company which is acting as the government's marketing advisor and is masterminding the campaign along with James Capel, the government's broker and Kleinwort Benson, its merchant bank. "These are not utilities that you just put in a drawer and forget; they are manufacturing companies with a different risk/reward profile."

Despite the government's oft-stated desire to widen share ownership, the campaign, Martin explains, is directed primarily at existing shareholders. People who subscribed for shares in the regional electricity companies, for instance, will automatically receive a mailing detailing the new offer. The offering, which is expected to raise around £3bn if 100 per cent of both companies is sold, will be considerably smaller than the £5.2bn sale of the regional electricity companies.

The advertising should not, Martin stresses, do more than raise public awareness of the offer and of how to subscribe for it – a much easier task now than in the days of the British Telecom flotation. Advertising budgets have gone down, as public awareness of privatisation has risen, explains Martin. "In today's prices Telecom cost £30m, British Gas £35m, BP – which was the biggest privatisation of all – £24m, water £20m, the regional companies £18m."

The campaigns have also become more sophisticated since the early days – with the exception, some critics believe, of the British Gas campaign. The ubiquitous "Sid", it was felt, obscured the real aim of the campaign. Frank, says Martin, was much more successful. "He didn't take over the flotation, but supported it." The new campaign, he believes, will be equally good.

"What CDP does is get the feel, or pitch, very right. What you need is a lightness of touch, and they are phenomenally good at that."

But though it may be the expensive and visible part of the campaign, advertising is not, Martin stresses, what determines whether the punter buys or not. That, he says, is down to the financial press.

National Power and PowerGen come to the rescue of Captain Kirk (left) and his Star Trek crew in the share offer ad

Not much room in the middle

John Thornhill on food industry trends

Being a brand manager in the 1990s is going to be a tough job – unless you happen to work for one of Europe's giant food manufacturing companies or accept a marketing job at a large food retailer.

A study of the European food industry by the Munich office of Bain & Company, the management consultants, confirms fears already expressed in the industry that medium-sized manufacturers are going to be squeezed between their bigger rivals and the leading retailers as a process of consolidation continues through the European market.

As the big food manufacturers and retailers grow more powerful, the smaller manufacturers will be confronted with the choice either of becoming "hired hands" of the retailers and manufacturing their own-label products or of significantly strengthening their brands. This they could do either by spending more on promoting them or finding alternative ways of selling them directly to the marketplace.

The struggle of the 1990s will be the fight for control of the value-added chain that stretches between the food manufacturers and the retailers. Instead of just selling brands created and established by manufacturers, retailers are now endeavouring to seize control of the higher value added links in the chain.

This trend has been particularly apparent in the Netherlands and the UK where retailers have developed central buying and distribution systems, invested heavily in technology – which gives them excellent market knowledge of how products sell and their relative profitabilities – and introduced a high proportion of own-label products.

Bain suggests that there are several ways for suppliers to tackle this threat.

The first is to stimulate the "pull" element in the selling equation. This can simply mean spending more on advertising. Bain cites the case of Coca-Cola, which increased its sales in Germany by promoting the brand through a big advertising programme, to the detriment of own-brand colas such as that sold by Aldi, the discount grocer.

But advertising campaigns and product developments can be targeted even more precisely to hit specific micro-markets. The report claims that during the 1980s Unilever, by increasing its number of margarine brands targeted at specific consumer groups, created very strong barriers to prevent other brands entering this market in Europe.

"The golden rule for a brand manufacturer must be to determine, regularly and sufficiently in advance, the amount of investment required to defend the brand portfolio," says the report.

This will consist not only of defining how to expand some brands but also selecting appropriate strategies for withdrawal, possibly by switching to the manufacture of own-labels for retailers.

Bain also suggests that manufacturers develop the "push" side of the marketing equation by maintaining direct access to their consumers. This could either be by keeping their own channels of distribution or by insisting on a presence in retail outlets.

Procter & Gamble has developed a permanent presence at the headquarters of Wal-Mart, the US retailing chain, smoothing the relationship between the two. Bain says that such co-operative efforts can result in substantial sales increases and reductions in inventory costs. One brand manager interviewed by Bain explained: "Rather than creating incentives for retailers to buy more we should show them how to sell more."

This, of course, pre-supposes that it is possible to develop such relationships, which Bain admits may require a fairly dramatic change in attitude among retailers in countries like Germany and France.

The ideal solution for the manufacturer ultimately depends on establishing mutual friendship, respect and, most important, mutual dependence with the retailer.

The obsolescence of advertising

Simon Holberton reports on a call for a renaissance of marketing

"MARKETING is everything." Well, as Mandy Rice-Davies might have said, a marketing guru would say that, wouldn't he? Yet Regis McKenna has a point.

He has surely spotted a trend when he describes the evolution of marketing from the 1950s to the present day as a movement from sales-driven (the "any colour as long as it's black" school), to customer-driven (the "tell us what colour you want" school).

For McKenna the swelling wave of the future – "let's figure out together whether and how colour matters to your larger goal" – is a form of marketing that is oriented to creating rather than controlling a market.

This is a form of marketing that is based on "developmental education, incremental improvement, and on-going process rather than on simple market-share tactics, raw sales, and one-time events."*

The explosion of choice and a concomitant diminution in the effect of advertising are the two principal forces behind the changing environment for marketers. The revolution in information and manufacturing technology during the 1980s has, he argues, fostered the ability of manufacturers to customise their mass-produced products as never before.

Here he cites two examples: a Japanese bicycle manufacturer, National, which makes made-to-order bicycles in two weeks, the possible stylistic variations of which number more than 11m; and a US audio company, Personics Systems, which sells customised music tapes from its library of 5,000 songs.

The consumer faces a different sort of choice as well in the providers of products and services.

Twenty years ago International Business Machines had 20 competitors; today it has more than 5,000. Twenty years ago there were fewer than 90 semiconductor companies; today there are almost 300 in the US alone.

For the company, this proliferation of choice demands a new marketing that is knowledge-based: the company masters the technology in which it competes, knows what its competitors are up to and what its customers need and want. It is able to adapt to a changing environment.

> Customers are unable to remember which advertisement pitches which product

This company also has to practice experience-based marketing. This requires the company to spend time with its customers – choice erodes loyalty – in developing and adapting products in a co-operative way. It also means giving superior service, promptly.

This customer orientation and contact is vital because it is becoming increasingly more difficult to connect with customers and potential customers in the traditional way, through advertising. "We are witnessing the obsolescence of advertising," McKenna writes.

Firstly, the proliferation of products has spawned a proliferation of messages: US consumers are deluged with 3,000 marketing messages a day.

The messages are also becoming shorter. In 1988, 38 per cent of prime-time and 47 per cent of weekday daytime television commercials lasted for only 15 seconds; in 1985 those figures were 6 per cent and 11 per cent respectively. The number of prime-time commercials has risen by 25 per cent over the period.

"A greater number of voices translates into a smaller impact. Customers are unable to remember which advertisement pitches which product."

McKenna cites an example of Ever Ready batteries. It has a critically acclaimed campaign in the US featuring a tirelessly marching rabbit. It was named one of last year's top commercials, but for Duracell, Ever Ready's main competitor. "In fact, 40 per cent of those who selected the ad as an outstanding commercial attributed it to Duracell."

Secondly, as advertising has proliferated, consumers have become fed up. Disney won friends among movie-goers by banning the screening of its films in theatres which screen advertisements. A Disney survey showed that 90 per cent did not want commercials and 95 per cent did not want to see previews.

"The underlying reason behind both of these factors is advertising's dirty little secret: it serves no useful purpose," McKenna says. "In today's market, advertising simply misses the fundamental point of marketing – adaptability, flexibility, and responsiveness."

This is because the new marketing requires a dialogue – not a monologue. Feedback, which connects the customer to the company, is, he says, central to the operating definition of a truly market-driven company – a company that adapts to the changing needs of the customer.

McKenna's vision of the marketing of the future is one where technology and marketing are married. This will bring about a renaissance of R&D and marketing which will give the company the ability to explore new ideas and test them against the reactions of real customers in real time.

"It should be a vehicle for bringing the customer inside the company and for putting marketing at the centre of the company."

Marketing is Everything. Harvard Business Review, January-February 1991. Reprints tel: (The Netherlands) 31-3433-1941.

TECHNOLOGY

Intel's power punch

INTEL, the US semiconductor company, is preparing a counter attack against arch-rival Advanced Micro Devices' microprocessor "clone", launched last November. AMD introduced its AM386 chip to compete with Intel's top-selling 386 microprocessor, the chip that powers IBM personal computers.

Stories have appeared in a US computer trade paper about an unannounced Intel processor that will address the AMD challenge and perhaps speed return on investment of Intel's 486 processor, the company's most powerful chip.

Intel's plan is to "unbundle" the 486, discarding everything but the processor core and putting the resulting chip in a low-cost plastic casing. Because of design improvements in the 486 processor, the cut-down 486 will outrun the top-performing 386 by 50 per cent. PCs with the new chip could sell for less than £2,500.

The 486, as it presently exists, packs a number of functions into 1.2m transistors including the central processor, a maths co-processor, cache controller and 8 kilobytes of cache RAM.

So much power, however, has its drawbacks. The 486 is perceived to be overkill for most users' day-to-day personal computing. Sales of 486 PCs have been disappointing – only about 6,000 units were sold in the UK in 1990.

Intel's avowed strategy is to expand its technology both up and down the power scale from the point at which the technology is introduced, as it did with the 386 design – launched in 1986. The latest 386 version is a low-powered processor for notebook PCs.

As a past master of product differentiation, Intel would not want to adversely impact present 486s with the newcomer. The company has suggested that rather than positioning the chip as a slower "486 minus" it could be regarded as a faster "386 plus". That would give a mid-life kick to the 386 range and see off AMD's 386 clones.

Paul Lavin

Ian Rodger analyses Sanyo's plans to capitalise on a long-term investment in solar cell-based products

Waiting for its day in the sun

Sanyo Electric has long had a reputation abroad as nothing more than a rather dull second division maker of downmarket audio and video equipment and electrical appliances.

Consumer electrical goods still account for about half the group's sales, although Sanyo officials would put up a good argument that they are not downmarket any more.

What is less known is that the group has a distinguished record in developing what it calls soft energy products – rechargeable batteries and solar cells – over the past 25 years.

And now that concerns about the ozone layer and global warming are raising doubts about the continued use of fossil fuels to generate energy, that long and patient effort is beginning to appear extraordinarily far sighted.

Sanyo officials admit that their initial push into rechargeable batteries and solar power was aimed simply at improving the appeal of their consumer products. The group introduced a portable torch in 1965, a rechargeable shaver in 1968, an electric toothbrush in 1970, all using its now well-known Cadnica rechargeable batteries. Its solar cells are still used mainly in electronic calculators and watches.

However, Sanyo has no doubt today that it is on to a much bigger thing, and is not at all hesitant about promoting itself as a group passionately devoted to the preservation of the world's environment. It has adopted various slogans, such as "We love the earth and its people" and "Technology we can live with" to emphasise the point.

It has also expanded its research and development efforts into other areas where environment is a main concern. For example, Sanyo, which is a major manufacturer of refrigerators and air conditioners, is developing a hydrogen absorption refrigeration system that uses no chlorofluorocarbons. It is also applying the non-polluting fuel cell technology to electric power generation.

The group is confident of a much improved business potential for environmentally friendly products as well. Up to now its investment in research on alternative energy forms, such as solar cells, was based on expectations that oil prices would some day in the distant future become unacceptably high, making alternative energy sources more competitive. "The focus now has become the environment, not the high cost of oil," says Seiji Ohara, general manager of the group's R&D headquarters, and the horizon is looking much closer.

The main emphasis of Sanyo's research effort in the past decade has been on amorphous silicon (a-Si) solar cells. Until the 1970s, the only way to convert the sun's rays into electricity was through the use of crystal silicon cells to achieve a photovoltaic effect. However, these cells are rigid, relatively bulky and their production consumes considerable energy and raw materials.

In the mid 1970s, scientists at Dundee University and at RCA in the US developed a solar battery based on a thin film of amorphous silicon. A few years earlier, Yukinori Kuwano, one of Sanyo's top researchers, had begun studying amorphous silicon nitride deposition by glow discharge. Once he learned of the developments in Scotland and the US, he realised that this technique could be used as a method of mass producing a-Si solar cells with reasonable conversion efficiencies and at an acceptable cost.

The group made the world's first practical solar powered product, a pocket calculator, in 1980 and, with strong Japanese government financial support and close relations with researchers at Osaka University and the Tokyo Institute of Technology, has been developing amorphous silicon based solar cell technology ever since. Thanks to steady improvements in both material and production technology, the conversion efficiency of the amorphous silicon cells it makes has risen to over 11 per cent from 2.5 per cent in 1980.

Moreover, each improvement has brought more ambitious applications within practical reach, and Sanyo has been at the forefront of attempts to commercialise the technology. From calculators and solar powered watches, the group has moved on to produce radios, battery chargers and other consumer products.

In the late 1980s, it brought out some heavier duty products, taking advantage of amorphous silicon's various characteristics. Being flexible, an array of amorphous silicon cells can be folded for storage and opened like a blanket to provide power for operating a television set or a small pump.

Sanyo also discovered that it could make the film transparent by punching several microscopic holes through the active area of the cells. Consequently, the thin cell fabric can be used for tinting windows, and Sanyo has proposed using it in car sunroofs where enough energy could be collected to operate some accessories.

Earlier this year, it was used for the skin of a totally solar powered aeroplane that flew across the US, but it is difficult to see this application getting beyond the gimmick stage. The aeroplane was restricted to a total weight of 90kg.

Similarly, Sanyo officials doubt that a solar powered car they demonstrated this year can get beyond the golf buggy level. The solar cell delivered 41 watts at 13.5 volts to a nickel cadmium battery which could drive the car for 18.8 miles at full charge at a maximum speed of 8 miles per hour.

Perhaps the most promising new product line is a series of tempered glass solar roof tiles that produce 2.5 watts of power each. If used on the roof of an average house, the tiles could generate 3 kilowatts, enough to cover all home needs, at least during the day, the company claims. However, officials are still reluctant to be precise about the cost of such a system, which suggests that it is not yet competitive.

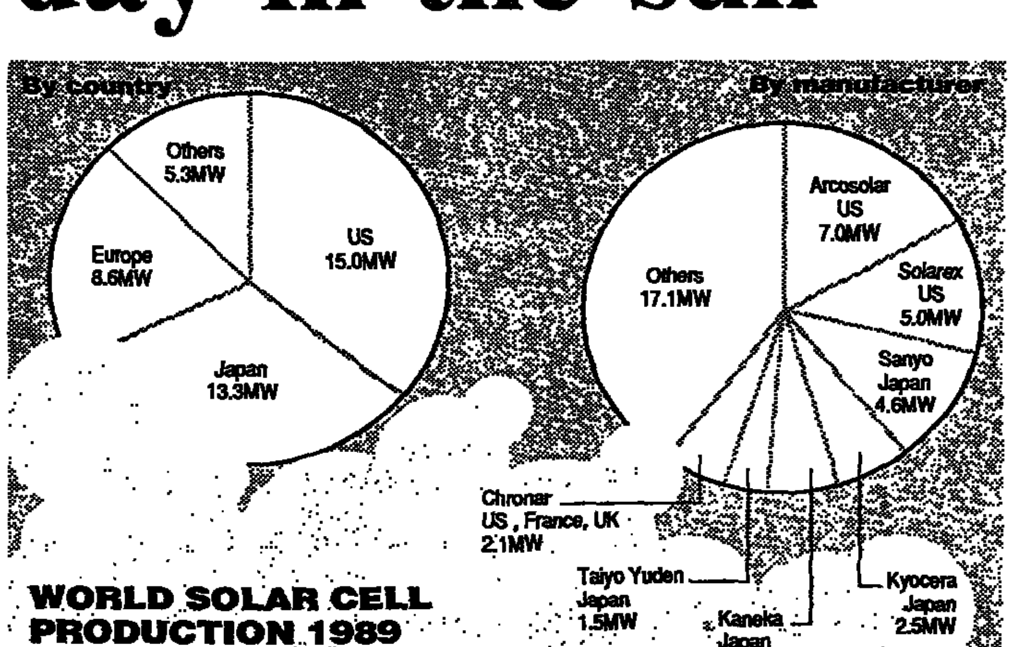
But all this is small beer beside Sanyo's promotion of a global electricity grid built around solar power stations and superconductor transmission lines.

The idea, which Sanyo calls Genesis (Global Energy Network Equipped with Solar Cells and International Superconductor Grids) may sound far fetched, but Sanyo officials claim it is not. They say that even if one assumes only a 10 per cent conversion efficiency for the solar cells, the entire world's estimated primary energy consumption in the year 2000 could be met by arrays covering only 807 square kilometres. "That is only 4 per cent of the world's desert areas," Kuwano points out. It would also do a lot for economies of scale in producing solar cells.

The complicating factor in the proposal, Kuwano says, is not the solar technology but transmission. Because different parts of the earth are in darkness at different times of the day, it would be necessary to transmit power over enormous distances from the areas in light to the areas in darkness.

Sanyo has proposed using superconductor transmission lines so that transmission losses would be minimal, but Kuwano admits that the technology is still a long way from being established. "But it might even be feasible using high voltage DC transmission lines," he says. He is now trying to convince Japan's Ministry of International Trade and Industry to embrace the project as part of its policy for promoting new energy sources.

But even without the Genesis project, the market for solar cell-based products probably has a pretty bright future, and Sanyo seems well placed to participate in it.



Blowing a trumpet for ultrasound

Scientists are starting to use the principle behind the dog whistle – ultrasound – to improve the efficiency of many commonly-used technologies.

The water industry, for example, hopes high-frequency sound might help purify drinking water and ease the problems with processing sewage sludge. "There is a lot of interest in this area," says Tim Mason, professor of chemistry at Coventry Polytechnic.

Ultrasound is already widely used to weld plastics. Most of the rear-light clusters in cars are formed with this technique. Ultrasound also improves the speed and quality of electroplating.

Household detergent companies are believed to be experimenting with sound in washing machines, to improve their cleaning ability. The sound waves would reduce the quantity of soap, and therefore pollution, caused by detergents.

"Similar experiments in the late 1950s were unsuccessful because soft pliable materials, such as clothes, absorb and dampen sound. Researchers then tried lower frequencies but that made a lot of noise," says Mason.

Our ears hear sound from 16Hz to 16KHz (middle-C is at 261Hz). Beyond 16KHz and up to 500MHz is the ultrasonic range. We cannot detect sound in this range but some animals can, such as dogs and dolphins.

Scientists divide the ultrasound range in two. Power ultrasound, which is between 20KHz and 100KHz, is used for welding plastic, encouraging chemical reactions and cleaning industrial equipment. High-frequency ultrasound – in the two to 10MHz range – is used for medical scanning and chemical analysis.

Ultrasound was first used early this century for range finding at sea. The idea – to determine distance by measuring the time it takes for a sound to bounce back (or echo) from a hard object – was developed into what became known as sonar.

This pulse-echo principle is behind most medical scanners, chemical analysers (many used to detect toxic chemicals) and the electronic tape measures used by estate agents.

When liquids are irradiated with ultrasound the sound has the power to "tear" the water apart in a process called cavitation. This is similar to the effect that a propeller, say on an outboard motor, has on the water, producing little bubbles as it breaks the intermolecular forces binding the liquid. "In ultrasonic cavitation the succeeding compression cycle can cause the microbubbles to collapse almost instantaneously. This releases large amounts of energy," says Mason.

It is this energy, which generates pressure and temperature, that is being harnessed by industry. Electronics makers, for example, are beginning to replace washing techniques that use environmentally damaging solvents, such as CFCs, with machines that use soap, water and ultrasound.

The electroplating industry, a major producer of heavy-metal pollutants, has discovered that ultrasound has three benefits. First, it reduces the amount of time needed to plate an object. Second, it improves the quality of the plating by encouraging the metal to adhere more firmly. Third, it can be used to treat the effluent by improving filtration.

The water industry, which is faced with huge bills to purify drinking water and treat sewage, is interested in ultrasound's effects on liquids. Besides enhancing the filtration process it can be used to disperse gases and solids in water and also help with collecting suspended solids.

These properties are helpful when dealing with sewage sludge. The sludge, which often contains heavy metals from industry, is usually dumped at sea and in landfill, or burnt. It contains many valuable nutrients for agriculture and could be treated as a valuable resource if the contaminants were removed. Ultrasound could prove useful in doing just that.

And ultrasound, which can be used to generate hydrogen peroxide (a disinfectant and bleach) when passed through water, has potentially useful purifying properties too. Used to purify water, it could reduce the amounts of potentially hazardous chemicals needed to clean drinking water.

Peter Knight

ARTS

CINEMA

Thrills and spills

HIDDEN AGENDA
Ken Loach

REVERSAL OF FORTUNE
Barbet Schroeder

CYRANO DE BERGERAC
Jean-Paul Rappeneau

NOI TRE
Pupi Avati

Of two new thrillers rooted in real events I know which one British critics are expected to take more seriously. *Hidden Agenda* is a political drama set in Ulster and directed by the white knight of British agitprop, Ken Loach. *Reversal Of Fortune* is a high-society American whodunit which re-heats a ten-year-old murder trial. One film asks, with a thunder-roll of self-importance, "What is Britain doing in Northern Ireland?". The other asks, with catchpenny urgency, "Did Claus von Bulow try to kill his wife Sunny with insulin injections?"

In the event, *Reversal Of Fortune* proves monstrous, memorable fun while *Hidden Agenda* is dismayingly banal. Scripted by playwright Jim Allen and set in early-80s Belfast, Loach's film begins with fair promise. An international inquiry team is winding up its visit; an American member (Brad Dourif) is shot dead on an Ulster country road, driving to one last rendezvous; "disinformation" is swiftly given out by the police; and the victim's widow (Frances McDormand) helps a top cop flown in from Britain (Brian Cox) to start the investigation.

Heaven knows the plot premise is timely. And so are the questions about shoot-to-kill policies and conspiracies within conspiracies. The film starts off like a well-primed Wednesday Play, fuelled with moody photography and electronic music by Stewart Copeland. McDormand is movingly harrowed as the widow, and there is grim hilarity in the quarrels between Cox's bull-necked investigator, veins lined with dynamite, and Jim Norton's Ulster police chief, trying to cover everything in sight.

But soon we realise where we are heading: the All-Purpose Paranoia Zone. Instead of developing a story in which a little local difficulty is revealed inch by inch as the tip of a giant social-political impasse, Loach and Allen jump impatiently to their facile conspiracy scenario. After a mid-film flurry of signposted dialogue, cloak-and-dagger trysts and Republican singalongs with messages for the semi-deaf – "You brought this reign of terror to our land" – we come to the last, most earnestly lunatic chapter.

Here Tory toffs with names like Alec Nevin (no prizes for guessing the late politician who had identical initials) are wheeled into smoke-filled rooms to confide their wicked secrets to Mr Cox. Hissable epigrams join the pipe-smoke in poisoning the air – "Ireland would be a lovely place if it weren't for the Irish" – while we hear of Wilson-toppling schemes, MI5-CIA link-ups and Thatcherite enormities. It may be good melodrama; it may even, years hence, be verifiable history. But it fits with the rest of the film like an elephant balancing on a gadfly. Along with the mid-Atlantic casting, the film's frantic upping of the narrative ante suggests Loach had one ear and eye on the American market when he should have had both eyes and ears on doing detailed, honourable justice to a tragic province.

★

If *Hidden Agenda* is overcooked, *Reversal Of Fortune* could have spent another half-hour in the oven. We lick our lips at the early smells coming from the kitchen. In Newport, Rhode Island, a European aristocrat (Jeremy Irons) is sentenced to 30 years for the attempted murder of his wife (Glenn Close). A hyperkinetic Jewish lawyer (Ron Silver) assembles a multi-expert task force to appeal the verdict. And the movie's first-reel flashbacks are introduced in voice-over not by Mr Irons but by the terminal, comatose Miss Close. Not since William Holden in *Sunset Boulevard* can I recall a dead, or brain-dead, character narrating a movie.

Monstrous fun: Jeremy Irons and Glenn Close in 'Reversal of Fortune'

Directed by Barbet "Barfly" Schroeder and scripted by Nicholas "Patty Hearst" Kazan, the film dances delightedly around its truth-based anti-hero Claus von Bulow, he of the alleged smoking hypodermic. Ever since *The Mission*, Jeremy Irons has been showing signs of kicking off his goody-two-shoes roles and trying on size-12 *grand guignol*. *First Dead Ringers*; now this. Irons's von Bulow is a pale, drawling, poker-backed toff with thin hair scraped back over his scalp and a thin wit scraped over his sepulchral vowels.

He and the underused Glenn Close, all icy dudgeon and pill-popping *tremolando*, are sheer delight. Indeed the film's only error is to have given us too little of their flashback-recreated home life, in which the two strike sadomasochistic sparks as their marriage embers die.

Instead we pad more pedestrianly in the wake of lawyer Alan Dershowitz (Silver), on whose book the film was based. Since the legal ingenuities of his appeal case, grippingly detailed in print, have had to be trimmed into bite-size portions for the film, we keep crying "Oh forget the lawyers and return us to the marriage bedlam." But then caution was perhaps inevitable in approaching a story whose real-life "murderer" and "victim" are still alive to this day.

Watching Jean-Paul Rappeneau's film version of *Cyrano De Bergerac*, I kept being reminded of the clinical term used to describe Sunny von Bulow's condition: "persistent vegetative." At any point during this 2¼-hour ordeal by versification, you could have dug me out of my seat with a garden spade and sold me to the nearest greengrocer. I do not dislike Edmond Rostand's original play about the romantic lover with the extended nose: I dislike the idea of yards of unprocessed proscenium verbosity being inserted into a pictorial medium like cinema.

Gerard Depardieu, with bionic hooter, prances about the 17th century French spaces mimicking the great actor he might well be without strain in the right vehicle. Although at times a scene takes on its own witty cinematic life – as when the camera skitters through the streets of market-day Paris – how deadening a speech-led film ultimately is. The over-nourished ears field the endless surfeit of words while the undernourished eyes go dead on their stalks. Olivier's best Shakespeare film, *Henry V*, kept our eyesight alive by turning the visuals into a cheeky delirium of Toytown Tudor. Rappeneau goes for the worst of all worlds: a fancy-dress neo-realism neither grubby enough to qualify as *verismo* nor surreal enough to startle our eyes from slumber.

★

On cue for the year of Mozzamania, alias Mozart's bicentenary, comes Pupi Avati's enchanting *We Three*. In this six-year-old Italian film the young Wolfgang Amadeus (Christopher Davidson) enjoys the last summer of his boyhood on Count Pallavicini's estate. He competes with the Count's son for the love of young Antonia-Leda, before taking the music exam that will plunge him into professionalism. Avati, honoured with an retrospective at Edinburgh last year, swishes the summer-dappled movie like a butterfly net to catch the thrills and regrets of youth. A valediction to childhood, forbidding mourning.

Child's Play 2 (15, Plaza) and *Roger Corman's Frankenstein Unbound* (18, Cannons West End) are valedictions to adulthood forbidding anything but a rude giggle into one's handkerchief. The first film plays demented variations on the recent shocker about "Chucky", the doll who comes to life. Here he wields the familiar knives, cackles and four-letter words and ends by exploding all over our laps after an action climax in a doll factory. Director, John Lafia.

Meanwhile B-movie producer Roger Corman offers his first directing venture for twenty years. Scientist John Hurt, thrown back into the 19th century after a mishap at the weapons-testing lab, meets the Shelley-Byron gang at Lake Geneva and shakes limbs with Mary Shelley's famous monster. It all ends in tears and blood as we could have predicted. Based on a Brian Aldiss novel, the film is totally barmy and plays more like Back To The Future meets Young Frankenstein.

Finally, an apology for the ill-remembered statistic about Pearl Harbor I offered in a recent review of Alan Parker's *Come See The Paradise*. It was not the total number of military casualties but the number of *naval* casualties suffered on December 7th, 1941, that exceeded America's equivalent losses during World War 1. Mea culpa.

Nigel Andrews

Children of Eden

PRINCE EDWARD THEATRE

And God looked and saw that it was – a musical.

Author-director John Caird and composer-lyricist Stephen Schwartz have turned the book of Genesis into *Children of Eden*, the new three-hour musical. Starting with the Creation and the Garden of Eden, it proceeds, by way of the Tree of Knowledge and Cain and Abel, to Noah and the flood. When you think how long ago it was that musicals tackled the New Testament (Schwartz composed *Godspell*), you wonder why they waited so long before coming to Genesis. The story turns out to have just what the modern musical needs: energising, the generation gap, sentimentality, idealism, good versus evil and young love versus parental authority; and, best of all, special effects.

To me, the modern musical is not an important form of lyric theatre but primarily an exercise in audience manipulation. *Children of Eden* is a skilful example of this. It steers its course neatly between serious and light, between provocative and cosy, between grand and intimate. It poses smoothly some of the theological questions which have fretted us all in our time. Why, for example, did God give Adam and Eve curiosity in the first place? It doesn't quite preach that ignorance was bliss; Noah ends by telling his children to use the fruit of the Tree of Knowledge. But it says the word "civilisation" with a hiss, like "sin."

Children of Eden is excellently staged – what's a musical without staging these days? – and it doesn't rest on spectacular scenery. John Napier has made one basic set that serves by turns as "this goodly frame, the sky"; by turns it is the firmament, the garden, an aviary, and more. The best aspect of the production is its visual effects, some of them achieved with piercing and poetic simplicity. I cite a few: Adam and Eve, after eating the apple, standing amid a maelstrom of surrounding movement as if lashed to the mast; their walking *backwards* out of the Garden; the two-tier waterfall of spray discovered by Cain; the beautifully flying cloth dove; the unrolling reams of rainbow. Matthew Bourne's choreography (though minor-league beside his work for Adventures in Motion Pictures) is surely as deft as any in the West End today, and the slick dance for the seven-man snake is the wittiest part of the show.

Alastair Muir

Frances Ruffelle and Anthony Barclay

Schwartz has provided a wide range of songs: ballad, rock, jazz, spiritual, and more. Every item works efficiently on the audience and every item sounds like umpteen other essays in the same genre. The weakest aspect of the show is the words, in both speech and rhyming lyrics. "Oh God! Look what I've done," sings Eve, as Cain shows signs of being as Problem Child, "I've passed it to my son."

The cast is multi-racial, and sings in accents both English and American. The singing is a good example of modern West End style. Martin Smith, as Adam, has a light tenor and a splendid pair of pecs; Earlene Bentley, as Mama Noah, leads a vigorous spiritual (good for moral uplift after the Flood). The cleanest singing is by the Japheth of Anthony Barclay, and the prettiest face that of Frances Ruffele as his gal Yonah.

Alastair Macaulay

The Fever

THEATRE UPSTAIRS

With *Aunt Dan and Lemon*, his Royal Court play of 1985, Wallace Shawn proved himself a master of emotional syllogism, arguing through the person of an unearthly anorexic that the extermination of millions of Jews was merely an extension of man's cruelty to cockroaches. In his monologue *The Fever*, the syllogist no less shockingly is a personification of the wealthy West: a materialist whose creed is founded on an unshakable belief in the right to have, and hold, privilege.

A tortuous route via the failure of Communism, a tourist's observation of the brutality of "poor" countries, and his ruminations on charity at home bring him to the "inevitable" conclusion that violence is essential to the suppression of violence in the interests of a wholly justifiable status quo. After all, "If it's appropriate for you to have the share of things that you have, that means it's not inappropriate for all the others to have the share that remains."

This disturbing 90-minute piece, a first venture into co-production by the National Theatre and the Royal Court, was first performed in a series of private homes in the United States where its fractured logic must have furnished the starting blocks for many a run-away after-dinner debate.

Rather like Vaclav Havel's Vanek plays, which have similar origins, it is a think piece which dramatises the doubts of the dissident. But whereas Havel could externalise the debate by creating little dramas of observer and observed, Shawn's debater has only his own conscience to gainsay him.

The disintegration of Communism has left no formal opposition. The politics of South America are anecdotally dismissed through the memory of a girl revolutionary clinging to her Marxism in a cafe in an unnamed "poor" country where workers had been raped and hung from trees in "orchards of unsurpassed beauty."

Sitting piggy-eyed in the beam of a single light, Shawn is a compelling raconteur who evokes a naive intellectual excitement spiked with a moral revulsion which rises in his gorge as he gropes towards a recognition that his complacency is based on a fallacy. The persona is comic, but the subject matter deadly earnest. As with *Aunt Dan*, one can forgive the overwriting and the occasional longueur for the vigor and audacity of the vision.

Claire Armitstead

London Philharmonic

BARBICAN HALL

On Tuesday Leon Botstein, who is an inquiring academic polymath as well as a conductor, took the LPO through an odd programme: first a recent symphony by a fellow American academic, then Joseph Joachim's all-but-forgotten Violin concerto "in the Hungarian manner", and finally the First Symphony of Brahms. It was oddly satisfying, too – the rare kind of programme in which the whole has a sense of its own, and doesn't just play off its parts for contrast.

Richard Wilson's First Symphony dates from a London sabbatical in 1983-4 (when I was much taken with some clarinet duos of his in a Circle concert). In this first UK performance, its principal attractions seemed to lie in its clever, effervescent writing for high winds, and its harmony, *recherché* in the nicest sense: consistently original but also transparent, without Expressionist crunches, very discreet about its tonal roots. At almost a half-hour's length, however, the work hardly seemed to fill out a "symphonic" scale. Wilson's accurate movement-labels – simply Preparation, Action, Contemplation and Reaction – denote a fluttery, tantalising prelude that introduces a bright scherzo, and then a slow movement of moderate expressive density answered by a crisp scherzo-finale. Civilised, one thought, but not quite 28 minutes' worth.

Crisper might have been better. I suspect that Wilson was imagining a clean, hard-edged brass-attack in the American manner, which British players scarcely ever manage to copy; that might give a sharper bite to the scherzo-music. But perhaps Joachim had had the lion's share of the LPO's rehearsal-time, since they are recording a whole Joachim programme. Here his "Hungarian" violin concerto was delivered with great panache by Elmar Oliveira (the Chaikovsky Gold Medallist in 1978), especially its absurdly virtuoso Finale. The opening Allegro, with a camp-gypsy main tune quite close to Kodály's *Háry János* cartoon (one missed the cembalom!), is fun, though turgidly orchestrated – too clotted for the "colourful" but bland material; the *Romanze* is a winsome archetype of Good German Taste between Schumann and Brahms.

It was fascinating to hear, particularly since the programme-notes reminded us that by the time Joachim came to assist Brahms with the composition of *his* violin concerto (1878-79), he had given up his own compositorial ambitions. Botstein's reading of the Brahms First, after the interval, then reminded us exactly why. Out of sheer familiarity, many conductors feel bound to load this symphony with idiosyncratic tricks; Botstein brandished none, but ensured that all Brahms's genuinely original strokes – the ones that his contemporaries, like Joachim, would have recognised as marks of a new master-composer – made their pristine effects. It was properly swift and lithe, too, without any modern-sentimental mooning, and a tonic to hear, and it rounded off the concert in the aptest possible way.

David Murray

Monet puts the RA into the black

The Monet exhibition at the Royal Academy, which closed last month, fulfilled all its organisers dreams. It attracted the largest daily post-War attendance to the RA – just on 7,000 – and it produced a profit of around £1m, which has enabled the RA to pay off its £500,00 overdraft, replenish its raided Endowment Fund, and bail out the under-sponsored show devoted to Egon Schiele and his contemporaries. For Monet tickets could be bought in advance from agencies, and a third of the visitors came by this route. In future all RA shows can be pre-booked.

All told almost 660,000 people saw the Monet "series" paintings which compares with total RA attendances for the year ending last September (which included three weeks of Monet) of 956,311. Even before Monet the fortunes of the Academy had started to improve. After a £550,000 loss in the year ending September 1989, the next twelve months produced a £100,000 profit, thanks partly to a 21 per cent increase in attendances for its exhibitions and partly to cost savings.

The RA's programme for 1991 includes nothing on the scale of the Monet but provides a strong overall schedule. The public's thirst for post-Impressionism should be satisfied with the works by Manet, Cézanne, Gauguin, Van Gogh etc from the Bührle collection of Zurich which opens on February 1. Then on March 8 the RA's renewed enthusiasm for architecture finds vent in an exhibition devoted to Christopher Wren and the making of St Paul's.

After the Summer Show, from June 8, come attractive exhibitions devoted to Fauve landscapes – by Matisse, Derain, Braque, etc (from June 18), followed by the first important display of Pop art in London for two decades, from September 14. The year ends with a comprehensive show devoted to the famed Japanese print maker Hokusai, and 1992 opens with a rare Old Master show, of Mantegna.

The big event of the REA's year is the unveiling of the renamed Sackler Galleries (formerly the Diploma), on June 10. The rebuilding opens up Burlington House and greatly improves facilities for the public.

Antony Thorncroft

The Nutcracker

COVENT GARDEN

The role of the Sugar Plum Fairy in Ivanov's original *Nutcracker* is as sweet and insubstantial as the non-character whom it portrays. The part amounts to a pas de deux, as enduring and nourishing as the confection itself, and some gestures to indicate general benevolence. It was Alicia Markova who taught us that classic distinction and spun-sugar delicacy might make the Sugar Plum more rewarding than seemed possible. And on Tuesday night it was Darcey Bussell who showed how a young dancer may similarly hold us by the combination of radiant youth and physical grace.

During the past year – since her creation of the heroine in *Prince of the Pagodas* – Miss Bussell seems to have found herself gloriously as an artist. Immense promise has ripened into assurance – never bold or self-conscious, but innocently and generously true. There is a purity to her dancing which comes from technical ease (she is a treasure even on the most obvious terms of ballet's mechanics) and from a central honesty in her interpretations. There is nothing in her stage presence of a personality cult – Guillem-style – or of vulgarity. There is everything of integrity and a devotion to the task in hand, and an ability to transform her youthfulness into the essential matter of the choreography – witness her profound sincerity as the Woman in *Song of the Earth*.

As the Sugar Plum Fairy – with Irek Mukhamedov the ideal cavalier – Miss Bussell was joyous, serene in articulation, and performing with a gentle authority that tells us that she wears her ballerina crown with beguiling modesty. She was grand without pomposity, noble without hauteur. She conveyed, above all else, her delight in dancing, and certain subtleties of phrasing – an extension that opened delicately out; a balance held so that we gasp with pleasure – spoke of an artist of rare sensibilities. These are wonderful times for her, and for her public.

Mukhamedov's Prince had all the allure, in step and manner, the role demands. David Bintley was a Drosselmeyer tenderly caring and touched with the proper mystery. Philip Mosley's engaging Nutcracker, Christina Arestis' delicate Clara, added to the pleasures of a memorable performance.

Clement Crisp

INTERNATIONAL ARTS GUIDE
TODAY'S EVENTS

■ AMSTERDAM

Concertgebouw 20.15 Neeme Jarvi conducts Royal Concertgebouw Orchestra in Stravinsky and Mendelssohn, with *Boris Berman* as soloist in Bartok's Piano Concerto No. 3 (718345). Repeated tomorrow in Amsterdam and on Sat in The Hague

■ BERLIN

MUSIC
Staatsoper unter den Linden 19.30 Ariadne auf Naxos. Sat: Alcina (2004 762)**Komische Oper** 19.00 Die Entführung aus dem Serail, staged by Harry Kupfer. (2292 555)
Deutsche Oper 20.00 Rigoletto, with George Fortune in title role. Tomorrow: Aida with Julia Varady. Sat: Ruggero Raimondi sings Don Giovanni. (3410 249)
Schauspielhaus 20.00 Fabio Luisi conducts Berlin Symphony Orchestra in Rossini, Tchaikovsky and Sibelius, repeated tomorrow and Sat (2272 261)
Philharmonie Kammermusiksaal 20.00 Simon Rattle conducts Berlin Philharmonic Orchestra in Ravel and Haydn, with Imogen Cooper soloist in Mozart's Piano Concerto No. 27. Repeated tomorrow and Sat (2614 383)
THEATRE
Berliner Ensemble 19.00 The Threepenny Opera, Sat: Kleist's Prinz Friedrich von Homburg. Sun: an evening with Kurt Weill (2827 712)
Deutsches Theater 19.30 Strindberg's Totentanz (2871 225)
Maxim Gorki Theater 19.30 Peter Shaffer's Amadeus, also Sun (2082 783)
Schiller Theater 19.30 Schiller's Die Rauber (3195 236)

■ BONN

Beethovenhalle 20.00 Shuya Okatsu conducts Orchestra of the Beethovenhalle in Mozart, Tchaikovsky and Prokofiev (773666)

■ BRUSSELS

Palais des Beaux Arts 20.00 Jose van Dam sings Kindertotenlieder in all-Mahler programme with Belgian National Orchestra under Ronald Zollman (507 8200)

■ COLOGNE

MUSIC
Philharmonie 20.00 Giuseppe Sinopoli conducts Schoenberg' Verklärte Nacht and Bruckner's Fourth Symphony with the *Philharmonia Orchestra* (2801)
THEATRE
Schauspielhaus 19.30 Teatro del Carretto, Lucca, in Italian-language *staged version of Homer's Iliad.* Also tomorrow and Sat (221 8400)

■ DRESDEN

Schauspielhaus 19.00 Moliere's Tartuffe. Sat and Sun: Goethe's Faust (4842 731)
Kulturpalast 20.00 Kurt Sanderling *conducts the Dresden Staatskapelle* in music by Mozart and Mahler. Repeated tomorrow (4842 731)

■ FRANKFURT

Alte Oper 20.00 Dmitry Kitayenko conducts Frankfurt Radio Symphony Orchestra in music by Tchaikovsky and Ravel, with *Vladimir Kraynev soloist in* Prokofiev's Third Piano Concerto. Repeated tomorrow.
Sat: Heinrich Schiff conducts and plays cello solo in concert with *Deutsche Kammerphilharmonie.* Sun: Leif Segerstam conducts Mahler's Sixth Symphony (1340 400)

■ HAMBURG

Staatsoper 19.00 Gerd Albrecht conducts Alfred Kirchner's staging of Idomeneo, with a cast led by Josef Protschka, Roberta Alexander and Hedwig Fassbender (351555)
Deutsches Schauspielhaus 19.30 First German staging of *Ayckbourn's Man of the Moment* (248713)

■ LEIPZIG

Gewandhaus 20.00 Kurt Masur conducts Gewandhaus Orchestra in music by *Prokofiev* and Tchaikovsky, also tomorrow (7132 252)

■ LONDON

MUSIC
Coliseum 19.00 David Pountney's production of Pelleas and Melisande conducted by Mark Elder (836 3161)
Queen Elizabeth Hall 18.00 The Ring Saga Part Two, City of Birmingham Touring Opera's reduced version of Wagner's Ring (928 8800)
Barbican Centre 19.45 Carmina Burana with London Symphony Orchestra conducted by Richard Hickox (638 8891)
DANCE
Covent Garden 19.30 Royal Ballet production of The Nutcracker. Sat at 11.30: Viviana Durante dances Kenneth MacMillan's Manon (240 1066)
Royal Festival Hall 19.30 English National Ballet production of The Nutcracker. Runs till Sat (928 8800)
THEATRE
This week's shows include Pinter's *The Homecoming directed by Peter* Hall (Comedy), David Hare's *Racing Demon* and Ian McKellen in Richard III (National), Anouilh's The Rehearsal (Garrick), Ayckbourn's Absurd Person Singular (Whitehall), Miss Saigon (Drury Lane). Phone Theatreline: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

■ MUNICH

Staatsoper 19.00 Un ballo in maschera with Aprile Millo and *Giacomo Aragall. Tomorrow:* Giselle. Sat: The Love for Three Oranges. Sun: Die Fledermaus (221316)
Philharmonie 20.00 Viktoria Mullova plays Brahms Violin Concerto with Bavarian Radio Symphony Orchestra conducted by Colin Davis (48098 614)

■ NEW YORK

MUSIC
Avery Fisher Hall 20.00 Charles Dutoit conducts New York Philharmonic in Schumann, Kodaly and Dutilleux's Cello Concerto, with Lynn Harrell. Also tomorrow, Sat and next Tues (874 2424)
New York State Theatre 20.00 City Ballet in Jerome Robbins' Dances at a Gathering and two Balanchine ballets, Walpurgisnacht and Who Cares? (870 5570)
Metropolitan Opera *19.00 First* night of new production of Die Zauberflöte conducted by James Levine Tomorrow: Boris Godunov (362 6000)
THEATRE
This week's shows include *Assassins, new musical by Stephen* Sondheim (Playwrights Horizons), City of Angels, musical about Hollywood in the 1940s by Larry Gebhart (Virginia), Black and Blue, an evening of classic jazz and blues with tap dancing (Minskoff). *Ticketron (239 6200) answers* inquiries and sells tickets

■ PARIS

Opéra Bastille 20.00 Myung-Whun Chung conducts all-Mozart programme with Opera orchestra, also Sat. Tomorrow: Le nozze di *Figaro (4001 1616)*
Théâtre des Champs-Elysées 20.30 Shlomo Mintz is conductor and soloist all-Mozart programme with *Israel Chamber Orchestra (4720 3637)*
Salle Pleyel 20.30 James Conlon conducts Orchestre de Paris in Schubert and Mahler. Also Sat *at 16.30 (4563 0796)*

■ VIENNA

Staatsoper 19.30 Der fliegende Holländer with Elizabeth Connell and Bernd Weikl. Tomorrow: Tristan und Isolde with Behrens and Kollo. Sun: Carmen with Baltsa and Carreras (51444 2960)
Volksoper 19.00 *Don Giovanni* sung in German. Tomorrow: La Cage aux Folles (51444 3318)
Musikverein 19.30 Vaclav Neumann conducts Vienna Philharmonic *Orchestra in* Spohr, Weber and Beethoven. Repeated tomorrow (505 8190)
Konzerthaus Grosser Saal 19.30 Sandor Vegh conducts Vienna Chamber Orchestra in all-Mozart programme, with Cyprien Katsaris *piano.*
Mozart-Saal 19.30 Recital by Arleen Auger accompanied by Roger Vignoles (7124 6860)
Telephone sales of tickets for Staatsoper and Volksoper available worldwide for holders of credit *cards by ringing Vienna 5131 513*

■ WASHINGTON

Kennedy Center Concert Hall 20.30 National Symphony Orchestra conducted by Randall Craig Fleischer play Sibelius, Dvorak and Borodin. Also tomorrow and *next Tues (467 4600)*

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2000-2030 World Business Tonight - a joint FT/CNN production with a review of the day's major business stories.
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0700-0830 Financial Times Business Report
A five minute business briefing broadcast three times between 0700 and 0800
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Thursday January 10 1991

No progress in Geneva

FOR THE last five months, it has been hard to see a good outcome from the confrontation in the Gulf following Iraq's unacceptable invasion of Kuwait. But there has never been any real doubt that war would be a disaster with incalculable consequences.

Regrettably, war now seems more likely following the failure of yesterday's discussions in Geneva between Mr James Baker, the US secretary of state, and Mr Tariq Aziz, the Iraqi foreign minister.

Mr Baker had a sombre message. After more than six hours of talks, he said he had heard nothing that suggested any Iraqi flexibility. Iraq, in other words, is not offering to withdraw from Kuwait in compliance with UN resolutions.

Mr Baker went into the meeting armed with a threat and a promise from President Bush: the multinational alliance in the Gulf is ready to attack Iraqi forces if they do not withdraw from Kuwait by the UN deadline of January 15, but Iraq will be left alone if President Saddam Hussein orders his troops to pull out.

Mr Baker came out of the talks with the same threat and the same promise. Although his mood was gloomy, he continued to say that Iraq could avoid a war by pulling out. "The path of peace," he said, "remains open." He backed that up by suggesting that Mr Javier Pérez de Cuéllar, UN secretary general, could use his good offices to keep a dialogue going.

One concession

By making his promise not to attack if Iraq withdraws, in his letter to Mr Saddam (which Mr Saddam has refused to receive), Mr Bush had already made a concession to the man who ordered the invasion and annexation of a member state of the UN on August 2 last year. Mr Bush is limiting the alliance's aims to the UN objective of achieving a complete Iraqi withdrawal. The US may not like the Iraqi regime or its numerous weapons programmes, but it will not launch a military strike against Iraq if there is a complete withdrawal.

It seems unlikely that Mr Baker was prepared to offer much else in Geneva in the way of concessions.

France and Germany, and the European Community as an organisation, have sometimes seemed willing to go further in offering carrots to Iraq before the UN deadline expires. Along with Mr Pérez de Cuéllar, they will doubtless do everything they can in the cause of peace following the failure of the Baker-Aziz talks. The Europeans should be careful. As January 15 approaches, they should not undermine the coalition ranged against Iraq, and, like Mr Bush, they should limit themselves to the UN resolutions.

Red herring

Germany has held out to Iraq the red herring of free elections in Kuwait, which is an issue for Kuwaitis and well understood by Kuwaitis, not a matter for the Germans or the undemocratic Iraqi government. President Mitterrand has announced a comprehensive plan, which includes an internationally-monitored pullout followed by concerted efforts to solve a number of Middle East problems.

There is no reason to object to last-minute European peace efforts in the Gulf or to attempts to resolve other conflicts in the region, provided the Europeans insist on a complete withdrawal by President Saddam, refuse to grant him a visible reward for his aggression, and do not glibly take him at his word if he makes vague promises to pull out his troops. An actual withdrawal – or at least the start of one – is what is required. The Iraqi leader is an accomplished liar, as he demonstrated shortly before the invasion when he promised King Fahd of Saudi Arabia and President Mubarak of Egypt that he would not invade. The Arab members of the alliance have not forgotten that, any more than the Kuwaitis will easily forget that Baghdad announced a withdrawal the day after the invasion, but then went back on its word.

"We welcome any and all diplomatic initiatives to solve this crisis peacefully and politically," Mr Baker said yesterday, "but the message should be uniform." That is fair advice for Europeans and any other aspirant intermediaries.

The case for training

THE GOVERNMENT'S commitment to improving the skills of the British workforce faces its most severe test for a decade. As the recession deepens, employers are again facing hard decisions over whether to maintain expenditure on training. If the government abdicates its share of the responsibility, it will inflict further damage on Britain's inadequate investment in training.

Yet there is little evidence, beyond its marketing of training to employers, that the government accepts, or even understands, its responsibilities. True, it has established a local employer-led framework to deliver training. But its thinking contains two major flaws: the first is an overemphasis upon training as a remedy for unemployment; the second is its assumption that a largely market-led solution to the inadequacy of training is feasible. But voluntarism is not enough. Market failures are so extensive and chronic that coercion is required, be it through generous use of public funds or through the imposition of training obligations.

The meeting of the National Economic Development Council yesterday showed that concerns over the government's stance are shared by the Trades Union Congress and the Confederation of British Industry. They are worried that Mr Michael Howard, the employment secretary, has put more emphasis on devolving his responsibilities to employers than on accepting his responsibility for improvements in Britain's skills.

Original framework

Notably, the government has dropped an essential part of its original framework for Training and Enterprise Councils in England and Wales. These were launched amid much enthusiasm from employers suffering the skill shortages caused by training cuts during the 1979-82 recession. Mr Howard's predecessor set ambitious targets for raising workforce skills, but these have been abandoned.

As usual, the Treasury is the villain. It has been unwilling to countenance such targets because they might have forced it to subsidise training for the adult unemployed in the private sector. Despite earlier hopes, the private sector chief executives who lead Tecs have not formed a strong enough political lobby to influence the Treasury, which regards public training schemes as, in essence, unemployment relief.

Tec leaders have been offered freedom to tailor the Employment Training programme for the adult unemployed in return for accepting reduced funding. They now face the alarming possibility of having to do no more than supervise a wave of relief schemes for the growing number of unemployed. Their aspirations for changing the whole culture of training will inevitably suffer.

Poor morale

This is scarcely likely to raise the morale of Tec chief executives, who joined up to achieve something wider. Unless the government's commitment is made more concrete via targets, many will think they are wasting their time. Their departure would undermine Tecs just as Private Industry Councils have suffered in the US.

The collapse of the Tec framework would extend the long history of failure to address Britain's training inadequacies. The government should re-establish targets for raising workforce skills, so demonstrating to employers that the recession will not be allowed to undermine the efforts of the past year.

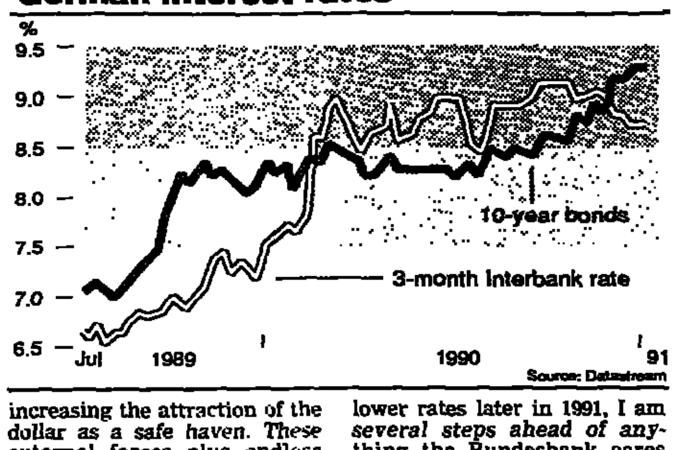
Mr Howard has already promised to respond to an independent effort by the CBI to establish agreed targets for skills, which could be put in place by the middle of this year. But beyond this, the government should re-think the basis of its approach to training. It must, for example, establish new economic incentives for employers to train rather than poach. The Labour party's suggestion of a national training fund to which all employers who refuse to train must contribute a proportion of their payroll is one constructive idea. Mr Heseltine has thrown local government finance open to cross-party discussion. The UK's dismal training record is an equally worthy case for such treatment.

ECONOMIC VIEWPOINT

A shortage postponed

By Samuel Brittan

German interest rates



Whenever a view becomes conventional wisdom it is time to question it. An example is the supposed world shortage of capital.

There have indeed been changes which will tend to increase the demand for new capital relative to the supply of savings. There are the needs of reconstruction both in eastern Germany and the rest of the former communist world. In the former case this will reduce to vanishing point the savings surpluses a united Germany can make available to the rest of the world. Japanese growth and Japanese savings are also under pressure. Yet there have been no compensating structural rises in savings propensities in the rest of the western world.

This diagnosis overlooks, however, short-term forces making for world recession. These arise partly from the earlier tightening of monetary policies in many countries to counter the re-emergence of inflation. They have been powerfully reinforced by the so-called "credit crunch"; that is, the bad debts and corporate insolvencies which have made banks and other financial institutions more reluctant to lend at any given rate of interest. Moreover the need for capital reconstruction in eastern Europe, and even more the Soviet Union, is proving slower to materialise in the form of viable investment opportunities than the optimists supposed.

In any case the predominant worldwide trend is towards recession; and in a recession interest rates fall. Thus, while the received wisdom is that German interest rates will increase and pull up those of the rest of the world and especially Europe, this is no more than a temporary possibility for the early part of this year. The pattern would then be "First a rise, and then a fall" to a rhythm from a Strauss operetta. For, as Tim Congdon, with whom I am happy for once to agree, remarks in the Gerrard & National Review, recessionary forces in the rest of the world are likely to slow down the boom in Germany, which has a smaller weight in the global economy than its influence in Europe suggests.

The much-vaunted international payments imbalances are disappearing

One would not expect signs of falling European interest rates while Gulf tensions are at their present level. But oil prices have been far below those of last autumn, when they touched $40 per barrel. Their tendency to plunge at the slightest whiff of a peace rumour shows how far they are above any normal market equilibrium. Even before such rumours the level of oil prices signified a market belief that any conflict would fail to knock out the main Saudi oil installations.

Meanwhile, the combination of Middle Eastern tensions and the threatened crumbling of President Gorbachev's USSR has made the D-Mark slightly less attractive, as well as increasing the attraction of the dollar as a safe haven. These external forces plus endless British official repetitions of the no-devaluation theme have strengthened sterling a little, and it is no longer the weakest currency in the ERM. The relief is only short-term, but it will at least buy a little time for the chancellor, and brings in sight the prospect of modest interest rate cuts by around Budget time with larger ones later if ERM credibility can be maintained.

What would we expect to see in the world's main financial markets if a recession takes place in the context of a longer-run shortage of savings relative to investment opportunities? Surely a fall in short-term interest rates, with long-term interest rates remaining fairly sticky and falling only modestly.

The drop in short-term interest rates is still to come outside the US. But at the long-term end we have already seen bond rates in the US and Germany converging towards the 8 per cent to 9 per cent band, while Japanese rates, at about 7 per cent are a couple of percentage points above 1989 levels. A jump was especially noticeable in Germany, where long-term rates rose by 1¼ percentage points around the time of the breach of the Berlin Wall. The more policy-influenced short-term rates rose much later; and, in envisaging lower rates later in 1991, I am several steps ahead of anything the Bundesbank cares yet to contemplate.

The Bundesbank president Karl Otto Pöhl stuck firmly in Basle this week to the line: "There is no room for lower interest rates in Germany because of the huge budget deficit." The debate in the Bundesbank is between those who expect interest rates to increase and those who believe they might remain approximately stable. A supposedly technical problem is the "Lombard trap" created by the tendency of the normal gap between the Bundesbank's Lombard lending rate and market rates to disappear as market rates rise. This might be resolved by a floating Lombard rate combined with lower reserve requirements for the banks – technical devices which will not resolve the policy problem of how much liquidity to put into the market.

In general, I found the atmosphere on a stopover in Frankfurt much less hawkish than I expected from the mood of the financial markets. One of the most zealously anti-inflationary figures in the Bundesbank envisaged that German wage increases would not go above an effective 6 per cent per head in 1991. Productivity might rise by 2½ per cent; and there could be some squeeze on margins. He therefore did not expect underlying inflation to rise much above 3 per cent. Moreover the recession in Germany's partners is proving positively helpful in dampening demand, releasing resources for reconstruction in the east, and boosting the D-Mark.

The proclaimed key to Bundesbank actions is the national budget; and the Bundesbank is happy to line up with Germany's EC partners in calling for a tighter fiscal policy, as the Bundesbank president did in Basle. But again this has to be interpreted with a pinch of salt.

If the German government – which will not be finally formed before next week – can make a half-convincing stab at the chancellor's promises of DM35bn of budget cuts, the Bundesbank will just about accept the resulting 1991 deficit as a temporary unification expedient without saying so, even though it will amount to some 4 to 5 per cent of GDP, or higher than that of the US at its worst. Contrary to widespread belief the Bundesbank is not pressing for tax increases, which it fears will be spent by the Länder, and much prefers expenditure cuts.

One definite change is that the Bundesbank is no longer pressing for an ERM realignment. It accepts that the French have set their faces against any further franc devaluation and that even the UK has a strong commitment to its present parity. It is also influenced by the dwindling of the German current payments surplus from DM104bn in 1989 to a projected DM40bn-50bn in 1991 and to less than DM30bn in 1992. This is part of the general process by which the much-vaunted international payments imbalances are disappearing.

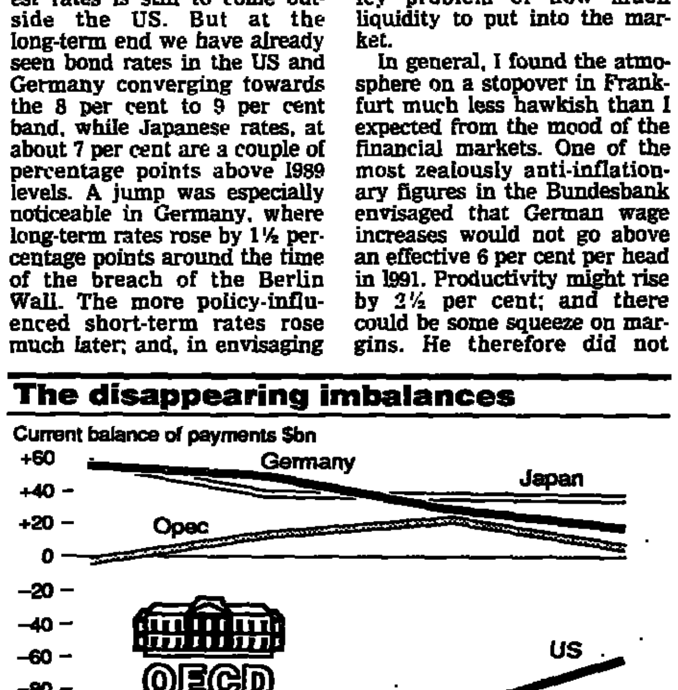
The subtext in Frankfurt is that a strong D-Mark is the key to curbing inflation

About half the envisaged contraction in the German surplus is with other Community countries. This movement has nothing to do with the incorporation of the eastern Länder in the German payment accounts in the middle of 1990. For, as west German experts were amazed to discover, the former German Democratic Republic was running a current payment surplus on the basis of soft currency contracts with its Comecon neighbours.

The unspoken subtext in Frankfurt is that the inflationary effect of reunification can be held in check so long as the D-Mark remains strong – not so much against ERM currencies, as against the dollar. The Bundesbank does not want any further appreciation against the US currency. But nor does it want to see the D-Mark appreciably lower. Thus yesterday's recovery in the D-Mark after the Gulf-prompted slide is the best possible news for other European Community countries worrying about interest rate prospects.

Of course, if there were to be a lengthy Gulf conflagration and a soaring oil price, all bets would be off. But far more would then be at stake than the course of German interest rates.

The disappearing imbalances



BOOK REVIEW

Pragmatism versus eco-zeal

GREEN WARRIORS: THE PEOPLE AND POLITICS BEHIND THE ENVIRONMENTAL REVOLUTION
By Fred Pearce
The Bodley Head £13.99

The ship named Greenpeace slipped out of an almost-deserted Newhaven harbour on a clear night a few weeks ago on a mission designed to create a splash in the British press. The Greenpeace organisation had devised a spectacular stunt to draw attention to the shipment of highly toxic, spent nuclear fuel on cross-Channel freight ferries.

The Greenpeace crew which had meticulously prepared the action – to interfere with one of the shipments – were a mixed bunch. There was one of Greenpeace's nuclear researchers, educated expensively at elite US institutions, who knew as much about the nuclear industry as anyone on the other side of the fence. There were the ship's officers, Captain Ahab types who need to be highly-skilled seafarers in view of the tasks given them by Greenpeace. And there were the young volunteers, whose one desire seemed to be to launch inflatable boats at what they called the enemy.

The Greenpeacers spent the night using sophisticated communications systems to track their prey – the ferry on which they thought the nuclear materials were being carried – and to keep in touch with fellow activists on both sides of the English Channel. In the event, their efforts proved abortive. By means one can only guess at, the authorities had discovered Greenpeace's plans: the nuclear flasks had been loaded on an earlier ferry than expected, beating Greenpeace into the safety of Dover Harbour.

As a mission, it was utterly routine for Greenpeace's crew, who had just returned from the Arctic Circle where they had been fencing with KGB ships at the edge of a Soviet nuclear testing site. Yet in its way it said much about the modern Green movement: the powerful mixture of raw, crusading zeal and well-briefed expertise; the resources it commands to harry any industry or company it targets; and the seriousness with which it has to be treated by any business in its sights.

How much the style of eco-activism has changed in just 20 years is revealed by a new book which has turned the spotlight on the Greens themselves. Green Warriors, by Fred Pearce, a British environmental journalist, is a close examination of the most important environmental organisations, their histories, founding personalities, differing philosophies and tactics, and their campaigns throughout the world. It is of interest not only activists in the world of environmentalism, but also any business person whose agenda is being shaped by environmental pressures.

The decline of the Green party in Germany, coupled with the legislative defeat of wide-ranging Green proposals in California, are feeding a recently-fashionable doctrine that eco-enthusiasm has peaked. The onset of recession, when the public's shaky altruism goes into headlong retreat, seems to provide further support for this theory. Yet Pearce's book offers little comfort to any industrialist tempted to view environmental concern as passé.

True, Pearce detects waves of Green angst: the US Environmental Protection Agency and Britain's Department of the Environment were both created in 1972, after the late-1960s green flowering and just before oil price rises drove environmental issues down the agenda for almost a decade.

More striking than these cycles are the continuities in Green activity revealed by Pearce's book. When environmental groups appear to have gone quiet, you can bet that some dedicated Green is quietly preparing a campaign to spring on the world. Alan Thornton, an early Greenpeace luminary, needed years of research and any number of subterfuges to expose an ivory smuggling ring originating in East Africa, thereby creating the conditions for last year's ban on the ivory trade.

The book details such prominent Green successes, whether one-off or continuing, such as Friends of the Earth's early campaign against the plan of RTZ, the world's biggest mining company, for a large copper mine in Snowdonia or the criticism of the World Bank's support for "white elephant" development projects in the Third World. But it is equally candid about their failures.

Where the book is particularly useful is in tracing the debates and conflicts within the evolving Green movement between the pragmatists and the fundamentalists who reject the very notion of economic growth; between those who can work with companies and those who see business as the devil.

Where Pearce is less good is on thinking through these conflicts. His instincts, verging towards the fundamentalist wing of environmentalism, often get in the way of non-sloganising analysis. For example, he is snide about Greens who work with business, but offers no alternative.

If there is one theme running through the history of the Greens, it is the gradual tempering of activism with more professional research in their target areas. Not that this will necessarily stop the Greenpeace ship next time.

David Thomas

OBSERVER

Mystery title fight

■ Are heads of building societies allowed to style themselves group chief executive?

It may not seem a life and death question, but a whisper ran through the industry this week that the Building Society Commissioner, Michael Bridgeman, is displeased with the practice and wants it stopped.

Two years ago Bridgeman – dubbed "the headmaster" by less respectful societies – put some members of his brood to a great deal of expense by decreeing that the magic words "building society" must be included alongside a society's name on all its stationery and publicity material.

Alarmed by reports of a ban on group chief executives, Donald Kirkham, group chief executive of Woolwich, rang the Commission, but was told that his title was okay.

"As far as we understand it, the objection applies only to the title joint chief executive," explained a deputy chief executive at another society.

But he begged anonymity for fear the headmaster might expel the odd deputy too.

New world

■ Le Monde, France's distinguished daily newspaper, has just broken with a hallowed tradition. The break came when its journalist shareholders agreed for the first time to work under a director from outside their own profession.

He is Jacques Lesourne, a 62-year-old Parisian economics professor and former businessman, who will take over when André Fontaine retires in a few weeks time.

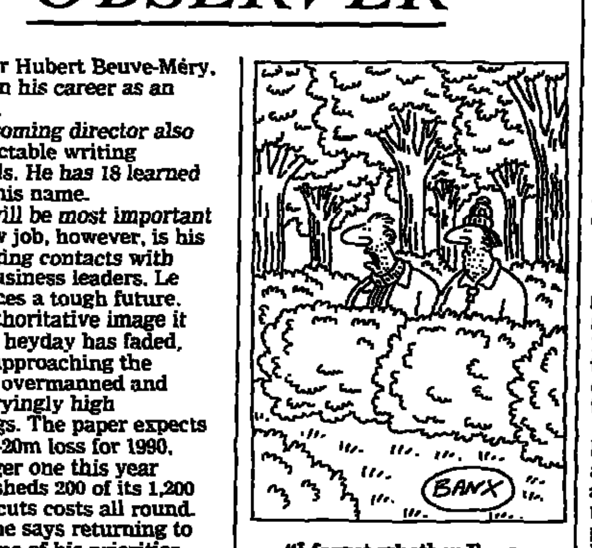
Although not a journalist like his four predecessors since Le Monde started in 1944, Lesourne has something in common with the first of them – founder Hubert Beuve-Méry, who began his career as an academic.

The incoming director also has respectable writing credentials. He has 18 learned books to his name.

What will be most important in his new job, however, is his wide-ranging contacts with French business leaders. Le Monde faces a tough future.

The authoritative image it had in its heyday has faded, and it is approaching the recession overmanned and with worryingly high borrowings. The paper expects a FFr10m-20m loss for 1990, and a larger one this year unless it sheds 200 of its 1,200 staff and cuts costs all round.

Lesourne says returning to profit is one of his priorities. He also intends to set a firm development plan, reform the paper's archaic legal structure and ensure a crisis-free succession when he retires.



"I forget whether I'm a Latvian or a Lithuanian deserter."

Runciman ahoy

■ Andrew Weir & Company, one of the UK's few sizeable private shipping companies still afloat, has run out of Weirs to man the family ship.

Vincent Weir, grandson of the company's Scottish founder, is stepping down as chairman in order to devote more time to his real love – protecting endangered wildlife. Meanwhile his nephew young Lord Inverforth, who inherited the family title, seems more interested in academia, than life on the ocean waves.

Fortunately, Viscount Runciman, who has been looking for a berth since his own shipping company was taken by Swedish pirates in 1989, has agreed to take the helm. As he is a Cambridge don and a deputy chairman of the Securities and Investment Board, there must be some concern about how much time Garry Runciman can devote to a group which has no formal chief executive.

This may explain why the Weir board has also been strengthened by the appointment of Anthony Isaacs, senior partner of City lawyers, Stephenson Harwood, and an old friend of the family.

Solid

■ Where are Mrs Thatcher's colourful entrepreneurs? Yesterday, saw Sir Ian MacLaurin, chairman of Tesco, win County NatWest WoodMac's retailer of the year award – another telltale sign that the men in grey suits are moving in to the pole positions of commerce as well as politics.

Alistair Grant and Geoff Mulcahy, the two runners up, are equally solid managers rather than colourful traders.

Not that Sir Ian has done a bad job at Tesco, which seemed to be sliding downhill at an alarming pace in the 1970s. He has transformed the old "pile 'em high and sell 'em cheap" image of Sir Jack Cohen, Tesco's founder. In terms of customer perception, its quality is not yet on a par with Sainsbury's, the market leader. But it is getting there.

Sir Ian should have a longer shelf-life than some of the award's previous winners. Burton's Sir Ralph Halpern and Next's George Davies have been dumped and the jury is still out on Gerald Ratner.

Swiss justice

■ Not content with keeping secret files on more than 160,000 of their fellow citizens, the Swiss police have reached out their heavy hand to British tv presenter Jon Snow.

In Geneva to cover the Baker-Aziz meeting, he was awakened in his hotel room at 6 a.m. by two plain-clothes men who carted him to the police station without even letting him telephone his office.

His heinous crime turned out to be failing to pay the full amount of a SFr900 speeding fine he incurred in Geneva two years ago. Misunderstanding the demand, Snow had paid only SFr600. The receipt he received for it gave no hint that more was due.

Said Snow: "In 15 years of hacking round the world from El Salvador to Syria I've never been treated in such a way."

Far from apologising, the police told him any complaint he had must be made through official channels. UK ambassador Martin Moreland can expect an early call.

Excuse me sir

■ The Irish police have claimed considerable success for its campaign against drinking and driving over Christmas and the New Year. But one driver was undeterred. "I've had seven pints and three vodkas" he told the police. "Do you mind blowing into this bag?" asked the policeman.

"Why?" said the man. "Don't you believe me?"

John Murray Brown examines the pivotal role that Turkey has played as a staunch supporter of western allies in the Gulf crisis

A friend on the front line

On a fog-bound airstrip in eastern Turkey this week, an ageing German Alpha Jet touched down, the first of 42 Nato aircraft deployed as part of the Allied Mobile Force against Iraq.

Nato's move follows a request from Turkey, the only member of the organisation bordering Iraq, and is officially described as a flag-waving exercise to deter Iraqi aggression. None the less it represents an important if belated gesture of support for President Turgut Ozal at a time of mounting political tension for the Turkish leader.

While the country's eastern region braces itself for war, with the army on alert, city black-outs in operation and the military requisitioning civilian hospitals, Turkish politics is in disarray.

Were Mr James Baker, the US secretary of state, to have arrived as planned in the capital Ankara last night, he would have found a country torn by labour unrest, a legislature where the opposition is threatening to boycott the assembly and a government divided.

This week, while Turkey's 2nd Army was mobilising on the border with Iraq, commando and gendarme detachments were lining the road to Ankara, the Turkish capital, to prevent some 80,000 miners and their families protesting against low wages and poor working conditions.

The unrest stems partly from economic discontent. But a more fundamental concern is Mr Ozal's increasingly autocratic presidency at a time when many Turks feel the possibility of war requires a more collective leadership.

President Ozal's Gulf stance has won the applause of the US and other allies. But it has also challenged the conservatism of Turkey's armed forces, and its traditionally neutral stance in foreign policy, which kept the country out of the second world war. Since then, Turkey has been a vital pivot of Nato policy, a buffer to counter Soviet expansionism.

The country's strategic imperatives would appear clear-cut. Turkey, a nation of 57m Sunni Moslems, remains deeply suspicious of the territorial ambitions of Iran and Syria. If Iraq were destroyed, Turkey's long-term fear is that these radical neighbours would exploit the power vacuum in the region.

President Ozal's Gulf stance has strained military relations

There is equal concern over the need to pre-empt any separatist moves by the Middle East's 20m Kurds, almost half of whom live in Turkey, where rebels have waged a sporadic campaign for political independence since the mid 1980s. And there are some nationalists who would like to see the country revive its historical claims to the oil-rich Iraqi provinces of Mosul and Kirkuk.

The Gulf crisis has clearly brought awkward issues to the fore, but government officials concede that there was little option other than to support the West against Iraq. Ever since Iraqi tanks invaded Kuwait on August 2, Turkey has outshone even some of its alliance partners in applying the United Nations embargo on trade with Iraq. It cut the twin pipeline carrying Iraqi oil to the Mediterranean before the Saudis had complied.

However, if Mr Ozal hoped for significant economic support from the allies, he has been disappointed. The economic costs are sizeable, given the growing defence budget, the volatility in oil prices – said to have added $1bn to Turkey's oil bill – and the effect of inflation, already running at about 60 per cent. Official estimates put the total costs of supporting the West at close to $5bn until the end of this year. There are aid pledges of some $2.5bn. But Turkey has to date received less than $600m – a $300m soft loan from Kuwait's emir, and $280m-worth of oil from Saudi Arabia.

Quite apart from the economic burden on this developing country, few Turks share Mr Ozal's vision that by its unequivocal support for the allies, Turkey can forge a modern western identity for itself. The sceptics point to Mr Ozal's application for membership of the European Community, shelved indefinitely in 1989.

"We should not act as an agent for the West. Our interests are quite different. We are part of the region," says Mr Bulent Ecevit, the former socialist prime minister.

Today some members of government appear to share this view. In October, the defence and foreign ministers resigned. Worse followed, with the resignation in November of General Necip Torumtay, Turkey's chief of general staff, prompting speculation that the army might try to stage a coup, for the fourth time in 30 years. As one senior western diplomat commented: "That was a minor earthquake for Mr Ozal. And the dust has still not settled."

The exact causes of the resignations are hard to fathom. But one factor may be that there are practical reservations in some parts of the military about committing Turkey's conscript army to a Gulf war. The armed forces, though large with 650,000 men, are short of both war experience and military hardware. Military analysts point out that it is more than 60 years since Turkey fought a full-scale war, for independence against Greek and other forces in the 1920s. Defence specialists say its older aircraft – 140 F-104 Starfighters and 104 F-5s – would present little resistance to an Iraqi air strike.

On the ground, Turkey is equally ill-prepared. Its 3,700-strong mechanised division largely comprises petrol-burning M47, and M48 Patton tanks, dating from the 1950s when Turkey joined Nato.

Even before the Gulf crisis, President Ozal's relations with the army had become increasingly strained. His apparent ambivalence about the growth of Islamic fundamentalism was of particular concern for a military which sees itself as the guardian of the secularist values laid down by Turkey's founder, Mustafa Kemal Ataturk.

In addition, Mr Ozal's recent call for direct presidential elections posed another challenge to the military and the constitution they framed, which lays down that the head of state is chosen by parliament. Mr Ozal's handling of Gulf policy now appears to have strained the military's patience to breaking point. When General Torumtay resigned there were unconfirmed reports that the entire high command was willing to quit in support.

Against this background Nato may feel its latest gesture was needed to bolster military resolve, and to reassure Turkey of Nato's backing, underlining the organisation's August statement that an attack on one member was an attack on the whole alliance. In the event of a direct attack, Turkey would undoubtedly respond. However, as President Ozal said in a television interview on Monday, he had not yet taken a decision for Turkey to become fully involved in an all-out war simply to support the allies.

The Nato umbrella is nevertheless vital to deter Iraqi retaliation if the US stages an air strike from either of its two Turkish bases. The US already has 24 F-16 jet fighters, 14 F-111 fighter bombers and an undisclosed number of F-15 jet fighters in training at Incirlik, the main US base some 310 miles from the Iraqi border.

The legal position for American use of the bases remains hazy. In August parliament approved new war powers – all of which were designed to free Mr Ozal's hand for war. The stakes are extremely high. A successful outcome to the crisis may well provide the government with an electoral windfall. It could also see the West embrace its Turkish friend once and for all.

Exporters fear fresh drain on their credit

Peter Montagnon on controversy over plans to sell ECGD's short-term insurance operations

It ought to have been a small matter of interest only to the cognoscenti. Instead a bitter row is brewing over the forthcoming privatisation of the Cardiff-based short-term insurance business of the Export Credits Guarantee Department.

The sale is expected to yield barely £100m and possibly much less, but at a time of deepening recession and a yawning trade deficit it has reopened with a vengeance the long-simmering argument over government commitment to the export industry.

Resentment at the way British companies are denied the government support enjoyed by their continental competitors has prompted an unlikely alliance between the City, industry and the Labour party. As a result, the government can expect a rough ride when the privatisation is debated in the House of Commons next Tuesday.

Exporters fear that the government is preparing to abandon them for the sake of doctrinaire attachment to an unnecessary sale that would yield the exchequer a paltry reward and might leave them with less choice of credit insurance than they have at present.

By contrast many insurance experts said that the idea of privatising the Cardiff operation – first mooted in a 1989 report by Mr Bob Kemp, a former senior ECGD official – seems eminently sensible in the light of European market developments.

Cardiff's turnover and its profits were rising on the back of investment in new information technology and underwriting techniques. To exploit this and to stand up to the competition looming in the European single market, it needed the freedom to seek new clients outside the traditional realm of British exporters.

Short-term credit insurance is low profile and mundane compared with the risky business of giving long-term cover for prestigious capital goods exports – the activity for which ECGD is best known. In fact, the £13bn-£14bn of short-term risk insured each year makes up the bulk of ECGD's overall business, and is regarded as an essential service by many exporters.

It covers companies producing goods such as chemicals or cars against the risk that their customers will fail to pay on the due date. Armed with such insurance these companies can more easily obtain short-term credit from their banks to tide them over until the money comes in.

Most of this insurance is written on trade with other industrial countries and most is against the customer defaulting because of bankruptcy rather than because his government has, for one reason or another, run out of foreign exchange. The risks are thus lower than those on insuring long-term credit to developing countries, but the margins are fine and high volume is vital.

Liberalisation of the non-life insurance market under the 1992 European single market programme raised the spectre of a surge in Community-wide competition in credit insurance, wiping out all but the strongest players. The key to ECGD's survival was widely seen as a privatisation that would open up new business horizons.

Only now, however, as the parliamentary debate is about to get under way, have exporters begun to grasp the full implications and alarm bells to ring in company boardrooms. According to Ms Joyce Quin, a Labour spokesman on trade, exporters have still not been properly consulted about the privatisation which was "sneaked" on to the parliamentary agenda just before Christmas.

Resentment at the way British companies are denied the support enjoyed by continental rivals has prompted an unlikely alliance between City, industry and Labour

Industry yesterday protested in letters sent to Mr Tim Sainsbury, the trade minister, by the London Chamber of Commerce, the British Exporters' Association and other trade associations. The London chamber letter says: "It is imperative that the existing level of service to exporters from Cardiff, both in terms of the markets covered and the credit period available should not be diminished."

One of the most urgent concerns, which has been heightened by the Gulf crisis, is the question of what will happen to short-term credit insurance for markets that are commonly deemed as difficult. Brokers say that, even with the Export Credits Guarantee Department still in government hands, it has already become difficult to obtain insurance in the UK on sales to the Soviet Union. After privatisation it could become much harder.

Yet it is precisely on deals with countries such as the Soviet Union, or debt-ridden Mexico, or, even until recently, Iraq, that the services provided by Cardiff are particularly valued by exporters.

Other European governments show no signs of winding down this kind of government support, but Whitehall has decreed that after a three-year transition period it will be withdrawn in the UK.

The government line that private reinsurers will quickly step in to fill the gap is hotly disputed in the marketplace, where withdrawal of support is seen as unilateral export disarmament. Adding to the exporters' alarm is the declining appetite for political risk reinsurance which the Gulf crisis has inspired in the Lloyd's market.

To the government's embarrassment, there also appears to be no great flood of serious bidders for Cardiff. A credit insurance business with no record in the reinsurance field is too delicate and complicated to float on the Stock Exchange.

Few specialist institutions understand it. Banks, once seen as possible contenders, have pulled out of the running because of the high capital costs involved. Only three companies – Trade Indemnity and Sun Alliance of the UK and NCM of Holland – have publicly declared an interest. Though others may be waiting in the wings, exporters say there are potential difficulties with all three.

Sun Alliance is a relative newcomer to the credit insurance market and exporters are uncertain how it would develop the business. NCM is a foreign company with no particular commitment to support UK exporters, especially since it already acts as the Dutch government's official export credit insurer.

Trade Indemnity already dominates the market for domestic credit insurance. It competes for export credit business with ECGD. Many exporters and some brokers believe that to allow it to acquire the Cardiff operation would give it a monopoly across the entire UK credit insurance market – a point which Trade Indemnity, naturally, vigorously denies.

Some argue that the government should modify its plans. It could go ahead with legislation designed to turn Cardiff into an independently-run but still state-owned company without following through with privatisation. This would ensure that government support for short-term export credits continued, that exporters had a choice of insurer, and that control of Cardiff did not pass to a foreign company. But it would also free ECGD of its current charter requiring it only to support UK exports.

If it does insist on privatising ECGD, the government should at the very least remain responsible for reinsurance of credits in difficult markets until it is absolutely clear that the private market can take over, these exporters add.

Mr Peter Lilley, the trade and industry secretary, to whom ECGD reports, this week had informal discussions with leading exporters, but declined to discuss ECGD publicly ahead of next week's parliamentary debate, and there is little sign of the government backtracking.

In common with many involved with ECGD, Labour's Ms Quin accuses the Treasury of wanting to sell ECGD because it is obsessed with "pushing a cost-cutting line". The deepest fear of all is that with Cardiff shunted out to the private sector, the Treasury would be able to bring its sights again to bear on ECGD's loss-making long-term project insurance division.

If it succeeded in making life impossible for the project group, there would be nothing left of the oldest export credit agency in the world.

LETTERS

Inflation accounting

From D.R. Myddelton.

Sir, Austin Mitchell ("Real audit reform needs statutory regulation", December 28) is wrong to say that the Institute of Chartered Accountants (in England and Wales) opposed the need for inflation accounting. On the contrary, in 1973 it was instrumental in proposing Exposure Draft 8 on "Accounting for Changes in the Purchasing Power of Money". This later became SSAP7 and required all quoted companies to publish supplementary constant purchasing power (CPP) financial statements.

Mr Mitchell may be thinking of the opposition to the later quite different proposals for current cost accounting (CCA), which were widely unpopular among business people generally, not merely among accountants. Moreover CCA was not even a system of accounting for inflation. It represented ill-advised interference by politicians in accounting matters about which they knew little.

D.R. Myddelton,
Cranfield School of Management,
Cranfield, Bedford

So what's new?

From Mrs Carol Kohll.

Sir, I noted with some wry amusement that Mr Martin Sampson, MD of UK's second-largest corporate identity consultancy, believes that nobody should question the need for a new identity (sic) for BT at a cost of £50m ("In defence of BT's £50m facelift", January 5).

He would say so, wouldn't he?

Carol Kohll,
51 Rotherwick Road, NW11

Shareholders are not necessarily best served by increased dividends

From Mr Paul Myners.

Sir, Dividends may be "the core of the relationship between management and owners" ("M&G urges companies to maintain dividends", January 5) but this does not mean shareholders' interests are necessarily best served by maintaining or increasing the annual distribution.

In the circumstances in which many listed companies find themselves, it may be unwise for shareholders to press their claim for dividends at the expense of further weakening an already stretched balance sheet, inhibiting vital capital investment or curtailing research and development programmes. It cannot make sense for well-managed businesses with good long-term prospects, but facing short-term financial difficulties, to compound them by inappropriate dividend commitments if these put the fabric of the business at risk or jeopardise a company's prospects of survival ahead of a recession of unknown duration. Management facing difficult decisions in this respect should seek a constructive dialogue with their shareholders with attention focused on maximising long-term value. Such a dialogue would be unnecessarily inhibited if dividends are elevated to the status of a prior charge – to be paid regardless of the cost to the long-term health of the company.

If one has a criticism, it is the failure of public companies to articulate clearly the general principles that support their financing and distribution policies. The existence of such a statement would render more comprehensible dividend decisions taken in respect of individual years.

Paul Myners,
chairman, Gartmore Investment Management Ltd,
Gartmore House,
16-18 Monument Street, EC3

In cash and kind

From Mr Jeremy Pinckney.

Sir, I was interested in the comments contained in the leaked letter from M&G's Chairman, Paddy Linaker, to some 300 company chairmen. While I do not want to opine on the fundamentals and sentiments expressed therein as to whether dividends should be maintained if corporate profits are being severely squeezed during this recession, clearly company boards should take note of these exhortations from such a powerful and responsible long-term institutional holder of equity shares.

However, it seems the real crux of the matter surely is whether there can be an increase in retained earnings (partially irrespective of profits) – out of which dividends are paid or increased – so succinctly commented on by Lex ("The addictive power of dividends", June 25 and "Time for dividend restraint", September 14). The principle thrust in these articles was that dividend cover should be increased through greater restraint, since cover had been falling in any event, and rising dividends were still being declared by many companies in spite of falling earnings.

It would appear that the only way to reconcile the aspirations of M&G (and other unit and investment groups) and that proposed by Lex is for companies to offer shareholders an alternative to cash dividends sufficiently attractive and fiscally beneficial for such "paper" to be taken up by a large majority of shareholders, including institutions, thus substantially increasing retained earnings. Surely, a particularly valid aim in times of high interest rates and squeezed profits, especially when institutional cash is so massive. The aim certainly will not be achieved through ineffective scrip dividend schemes where the benefits to shareholders were negated in 1975 and which effectively debar institutional holders – with whom lies majority control of companies – from participating; an interesting anomaly and allowed to exist by investor protection bodies even though such schemes are against the tenet of equality of treatment for all shareholders!

There are ways whereby attractive alternatives can be offered to achieve these aspirations through greater participation; consequently dividend cover will be raised, retained earnings will increase and dividends in cash or in kind at least can be maintained. A most important and relevant sequitur would be use of surplus advance corporation tax, a heavy burden on many companies especially in times of recession – in some cases greater than the cost of dividends paid.

Jeremy G. Pinckney,
The Garden House,
Balthayock, Perth, Scotland

Let the central bank's governor put his mouth where his money is

From W. Grey.

Sir, The new chancellor has rejected independent status for the Bank of England. More is the pity.

The reasons given ("Lamont says there is no question of a slump", January 2) are that this is unnecessary to secure the overriding objective of getting inflation down; that policymakers have already, through ERM membership, been provided with an independent discipline; and that success in the battle against inflation anyhow hinges on sound monetary policies more than a central bank's status.

But if the government is now committed to getting inflation down, how long can it be expected to remain so? The experience of successive governments over half a century, since the bank was nationalised, is hardly encouraging. Besides, no government can bind its successor – and Labour, so far, is equally reluctant to surrender political control of the monetary tiller.

Again, gratitude for the added discipline imposed by ERM membership should not blind us to the fact that, necessary though it is, it is not sufficient to keep the ship on a steady course. It needs to be backed by an independent monetary authority committed to price stability, or near-zero inflation; and unfettered by the electoral cycle.

The central bank's status, though secondary to its stance from one month and year to the next, is thus an indispensable component of the anti-inflationary strategy mix besides being capable, as you suggest ("Mr Major's challenge", January 5), of extricating the government from its credibility dilemma.

Let the bank's governor put his mouth where his money is and, with the consent of parliament, have an independent bank's future pay rises linked to its year-to-year counter-inflationary success.

W. Grey,
12 Arden Road, N3

FINANCIAL TIMES
Thursday January 10 1991

Georgia warns Gorbachev against 'war declaration'

By **Quentin Peel** in Moscow and **Leyla Boulton** in Vilnius

Soviet defence minister Dmitri Yasov listening to the defence budget debate in the Supreme Soviet yesterday

THE REBELLIOUS Soviet republic of Georgia set itself on a potentially bloody collision course with Moscow yesterday, flatly rejecting a decree by President Mikhail Gorbachev and warning that its enforcement would amount to "an effective declaration of war".

The nationalist-dominated parliament passed a resolution refusing to take any action to implement Mr Gorbachev's ultimatum, which demands that all Georgian police and armed irregulars be withdrawn from the region of South Ossetia.

The move sets the southern republic, already the scene of violent clashes with ethnic minorities in both Abkhazia and South Ossetia, at loggerheads with the Mr Gorbachev, even before Soviet paratroops are deployed to enforce conscription there.

The Soviet president's decree ordered that all armed units apart from the troops of the Soviet Interior Ministry be removed from South Ossetia, a mountainous region in the Caucasus which itself wants to break away from Georgia.

The defiant stance by Georgia came as the breakaway Baltic republic of Lithuania braced for a possible Soviet onslaught and about 10,000 of its people rallied to protect their parliament.

A few hundred unarmed civilians were last night guarding the Lithuanian capital's television tower after radio reports that it had been surrounded by seven Soviet armoured personnel carriers. None was immediately visible in Vilnius last night, but witnesses said the APCs had left the station after crowds began to gather.

President Vytautas Landsbergis appealed to the crowd to remain calm as an anti-independence demonstration by 5,000 Russians took place nearby.

President Landsbergis had asked Lithuanians to come to defend the parliament after Russian demonstrators tried to storm the building on Tuesday. Like many other Balts, he fears that Moscow's tough new conscription drive, using paratroops to catch draft-dodgers, is simply a front for crushing independence movements.

In Georgia, demonstrators took to the streets of both Tbilisi, the Georgian capital, and the town of Gori to protest against the Soviet president's decree, including both Ossetians and Georgians, according to the newspaper Izvestia.

The confrontation in Georgia coincided with an attempt by the Soviet Defence Ministry to play down its actions to enforce conscription in seven separate Soviet republics.

General Valery Manilov, head of information, denied that the move meant that any additional troops would be sent to the republics. "I know nothing about any decision of the Soviet government to send additional troops to Moldavia, Georgia, Armenia, the Ukraine and the Baltics. Such a decision simply does not exist," he told the Tass news agency.

How the tanks avoided CFE count, P3

When friends fall out over money matters

The Franco-German consensus on EMS policy proves fragile, reports **David Marsh**

WHEN Mr Karl Otto Pöhl, the president of the German Bundesbank, shakes hands with Mr Pierre Bérégovoy, the French finance minister in Paris today, both men will be doing their best to smile their way through their meeting. But the barometer monitoring Franco-German monetary relations is pointing towards storm.

Mr Pöhl is coming to Paris to give a speech and answer questions at the Ecole Nationale d'Administration, the elite civil service academy.

In one respect, he will find common ground with Mr Bérégovoy.

Both are deeply worried about the ballooning German public sector budget deficit. It will rise to at least DM140bn ($94bn) or 5 per cent of gross national product this year because of the growing cost of German unification.

In their reaction to this state of affairs, however, the two men are at odds.

The Bundesbank has been warning for months that high government borrowing, coupled with signs of over-heating in the west German economy, could soon force a rise in its discount and Lombard rates. These are currently 6 and 8.5 per cent respectively.

It is reliably understood that a majority of the Bundesbank's 18-member decision-making council is in favour of such an increase.

Even though the Bundesbank is statutorily independent, the timing will be affected by some delicate negotiations with the Bonn government.

Mr Bérégovoy is concerned that precipitate Bundesbank action to raise interest rates could force Paris to do likewise – just when France wants easier credit to head off an economic slowdown.

Other European Monetary System (EMS) members, notably Britain, which unlike France is already grappling with recession, face similar qualms about the timing of the Bundesbank's next interest rate move.

Mr Roy Jenkins, the former president of the European Commission, said in Bonn this week that the Bundesbank had replaced the army as "the quintessentially German institution".

Looking beyond the Bundesbank's next monetary salvo, there are signs that elements of the Bonn-Paris monetary understanding – which is at the heart of the 12-year-old EMS – are unravelling at the seams.

There is no quarrel about the smoothness of the technical currency co-operation between the Bundesbank and the Banque de France. But serious strains are building up on the political question of developing the EMS towards the goal of European Monetary Union (Emu).

The Bundesbank is perfectly happy with its de facto dominance of the present workings of the EMS. Mr Pöhl understands the political need for Bonn to show favour towards Emu.

But he sees the French desire to press forward towards a single European currency partly as a Parisian ploy to "get a grip on the Bundesbank".

One important sign of the tensions is that the Franco-German Finance Council – set up with some ceremony in 1988 as a forum to harmonise the two countries' economic policies – appears to be slipping into oblivion.

The council, linking the finance ministers and central bank governors of the two countries, is supposed to meet four times a year.

It convened only three times in 1990, the last time in September. The French, who are organising the next meeting, have yet to set a firm date.

Both the Bundesbank and the German Finance Ministry say France originally believed that the bilateral council would be a useful tool for influencing the Bundesbank.

In fact, at the behest of the Bundesbank, the treaty setting up the council stated that the body was consultative only.

Now that French expectations about the usefulness of the council have been thwarted, the Germans believe that Paris is concentrating on Emu negotiations as a means of gaining some control over the Bundesbank.

On the more immediate question of current EMS exchange rates, the Bundesbank has long favoured a realignment. Support for such a move seems now to be gaining ground within the Finance Ministry as well.

It would produce an increase in the D-Mark's value against other currencies – useful for dampening inflationary pressures – although not necessarily an outright D-Mark revaluation.

The last EMS realignment was four years ago, and the Bundesbank believes that parity changes are necessary to make up for the inflation differences between Germany and other EC members which have built up since then.

Mr Pöhl said in Basle on Tuesday, however, that no such realignment is in store "because nobody wants to devalue". One top Bonn Finance Ministry official – speaking in private – recently criticised the French "obsession" against devaluing the franc, arguing that this was for misplaced reasons of political prestige.

In fact, the Paris Finance Ministry says it is behaving in this way because the French have been taught by the Bundesbank that a no-devaluation policy pays dividends.

The German official chose to overlook this elementary point – just one sign of the faltering mutual comprehension along the Bonn-Paris axis.

Tokyo threatens US airlines over routes

By **Robert Thomson** in Tokyo

JAPAN'S Transport Ministry yesterday threatened to deny permission for new flights to Tokyo by United Airlines and other US companies unless Washington granted approval this week for routes for two Japanese cargo carriers.

United Airlines began a new Tokyo-Chicago service last night after receiving belated permission from the Japanese government, which issued a one-week permit that will not be renewed unless delayed Japan Airlines (JAL) and Nippon Cargo Airlines flights get US approval.

The problem centres on differing interpretations of a bilateral agreement in November 1989 providing for increased passenger and cargo flights. US officials say that the new slots must be "commercially viable", but Japan argues that the wording does not specify that the slots be viable, only that openings be found for US carriers at Tokyo's congested Narita airport.

Three US carriers, United Parcel Service (UPS), Delta Air Lines and American Airlines, have complained that slots given them by Japan's Transport Ministry are not suitable, while ministry officials maintain that they have honoured the agreement.

"There is a perception gap between ourselves and the Americans. We agreed on the frequency of slots, not on the timing. Narita airport is very, very crowded and it is impossible for us to allocate new slots," a Transport Ministry official said.

The Japanese government is angry because the two Japanese carriers had hoped to start new cargo services from October 1, but have yet to receive approval from the US, which has demanded that UPS be given six evening slots. Japan had offered two evening and four morning take-offs, but later proposed one morning and five evening slots.

Further problems arose last month when the Japanese ministry suggested take-off times to Delta and American for services scheduled to begin in February and March respectively.

The two airlines are unhappy with their slots and have been negotiating for new times. Japanese officials had threatened that United would not be given permission to begin yesterday's new service, but said that a one-week permit had been given as a "gesture of goodwill" because many seats had been sold on the inaugural flight.

But the Transport Ministry insists that the permit for the Tokyo-Chicago route will not be extended unless the US allows the two Japanese cargo services to start, and ministry officials have told United that bookings should not be taken beyond January 17.

"We have not given them permanent permission to operate the service. This is only temporary," a Transport Ministry official said.

However, United, which has about 15 flights daily out of Tokyo, was yesterday taking long-term bookings for the Chicago service.

Baker says Iraqis will not withdraw

Continued from Page 1

the military mission has been accomplished".

"If we are compelled, France will take part in an armed conflict. You cannot save peace through the abandonment of principles. I could not accept that France should fail in its duty. I hope the French people will understand what is at stake."

The EC meeting with Mr Aziz will be hosted by Mr Ahmed Ghozali, Algeria's foreign minister, who arrived in Geneva yesterday during the talks. No date for the talks had been fixed last night. Mr Baker told reporters he met Mr Aziz, "not to negotiate, but to communicate, and communications means listening as well as talking". He added, however: "Regrettably I heard nothing today that suggests to me any Iraqi flexibility whatsoever in complying with United Nations Security Council resolutions."

Describing Iraq's invasion of Kuwait and the holding of western hostages as "miscalculations", Mr Baker said: "Let's hope the Iraqis don't miscalculate again".

He said he read out to Mr Aziz a letter from Mr Bush which spelled out the US message that Iraq must leave Kuwait or face war. However, Mr Baker said his counterpart listened, but refused to accept the letter in his hands.

Mr Baker said he sought and won an assurance from Mr Aziz that the US charge d'affaires in Baghdad and four other diplomatic staff would not be hindered from leaving the country on January 12.

UK to retain 40% of electricity industry

By **Clare Pearson** in London

THE BRITISH government will sell only 60 per cent of the shares in National Power and PowerGen, the electricity generators, in their combined flotation scheduled for next month.

Mr John Wakeham, UK energy secretary, said yesterday that the decision, which will reduce the flotation value to about £1.8bn ($3.5bn), had been taken because he believed this was the best way to maximise taxpayers' proceeds in the longer term.

"I am very confident about the companies' future. But they are newly established in a new [electricity] market, and they will look better to investors in a few years' time," he said.

The generators said Mr Wakeham's decision had come as a disappointment. Mr Ed Wallis, chief executive of PowerGen, the smaller of the two, said: "It is up to the government, but we have been planning for a 100 per cent sale."

Today, at the same time as launching the marketing campaign for the flotation, the government will announce it will sell part of the shares by tender, where institutions submit competing bids above the fixed offer price at which most of the shares are sold.

The government is also looking at various ways to pare the costs of underwriting the issue, including the possibility of cutting out the banks which, as primary underwriters, normally pass shares on to institutional subunderwriters.

Mr Wakeham declined to comment on matters other than the proportion of shares to be sold in the flotation.

He linked the decision to investors' unfamiliarity with the companies' performance in the restructured electricity market which came into being in April last year.

He denied that the reduction was related to the threat of war in the Gulf.

He also said it had nothing to do with accusations of underpricing that arose after November's £5.2bn heavily over-subscribed offer for the 12 regional electricity distribution companies.

But he added that the parliamentary Public Accounts Committee, which oversees public spending, had long said staggered privatisations improved proceeds.

In the prospectus for its flotation, the government will be required to commit itself to retaining the stake until a certain date. Mr Wakeham said this might be about two years.

The generators' business is expected to enter an uncertain period around March 1993 when existing contractual arrangements with the distribution companies and with British Coal run out.

The tender part of the flotation is designed to improve proceeds. It is expected to be of about 20 per cent of the shares, and will take place after the fixed price for the bulk of the shares, including those for the public, has been announced at the end of next month.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	C	14	57
Algiers	S	19	66
Amsterdam	F	7	45
Athens	S	18	61
Bahrain	R	19	66
Bangkok	C	31	88
Barcelona	F	16	61
Beirut	-	-	-
Belfast	S	1	34
Belgrade	S	14	57
Berlin	S	9	48
Biarritz	S	17	63
Bombay	S	26	79
Bordeaux	F	14	57
Boulogne	F	10	50
Brussels	S	9	48
Budapest	Fg	5	41
Buenos Aires	R	33	91
Cairo	F	20	68
Cape Town	S	21	70
Caracas	C	27	81
Casablanca	S	17	63
Chicago	S	-2	28
Cologne	C	9	48
Copenhagen	C	6	43
Corfu	F	14	57
Dallas	Dr	6	43
Dublin	F	4	39
Dubrovnik	F	14	57
Edinburgh	Sn	0	32
Faro	S	18	64
Florence	F	13	55
Frankfurt	R	8	46
Geneva	R	9	48
Gibraltar	S	18	64
Glasgow	Sn	0	32
Helsinki	F	2	36
Hong Kong	C	15	59
Innsbruck	S	6	43
Inverness	C	-1	30
Islamabad	F	16	61
Istanbul	F	6	48
Jakarta	R	31	88
Jersey	S	11	52
Johannesburg	Dr	13	55
Lima	F	24	75
Lisbon	Dr	15	59
London	F	9	48
Los Angeles	C	12	54
Luxembourg	C	7	45
Madeira	S	18	64
Madrid	F	11	52
Majorca	F	18	64
Malaga	S	18	66
Malta	R	15	59
Manchester	F	5	41
Manila	F	30	86
Melbourne	S	19	66
Mexico City	F	23	73
Miami	F	21	70
Milan	C	4	39
Montreal	Sn	-15	5
Moscow	C	0	32
Munich	F	9	48
Nairobi	F	25	77
Naples	F	14	57
Nassau	F	28	82
New Delhi	S	16	61
New York	R	-1	30
Nice	F	12	54
Nicosia	S	18	64
Oporto	C	15	59
Oslo	Sn	0	32
Paris	F	11	52
Peking	S	-1	30
Prague	C	9	48
Reykjavik	S	-8	18
Rhodes	S	17	63
Rio de Janeiro	F	30	86
Rome	F	15	59
Salzburg	S	7	45
San Francisco	R	9	48
Seoul	S	-1	30
Singapore	F	31	88
Stockholm	R	2	36
Strasbourg	C	10	50
Sydney	C	24	75
Taipei	F	18	64
Tangier	S	17	63
Tel Aviv	S	17	63
Tenerife	S	19	66
Tokyo	S	10	50
Toronto	Dr	-1	30
Tunis	S	16	61
Valencia	F	17	63
Venice	C	6	43
Vienna	C	4	39
Warsaw	F	10	50
Washington	Dr	1	34
Zurich	C	9	48

Temperatures at midday yesterday C – Cloudy Dr – Drizzle F – Fair Fg – Fog H – Hail R – Rain S – Sunny Sl – Sleet Sn – Snow T – Thunder

THE LEX COLUMN

A two-way bet on electricity

The first reaction of the markets to the breakdown of the Baker talks suggests the outcome was already in the price. The surge in equities and slump in the oil price earlier in the day was a mere anomaly. The markets are now on a war footing.

Electricity

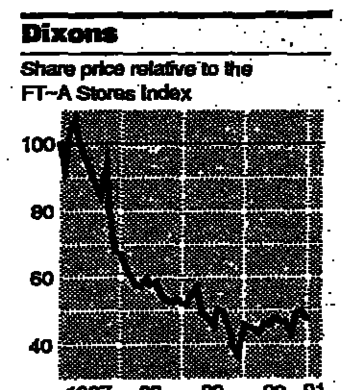
The UK government's decision to float only 60 per cent of the electricity generators looks like a calculated gamble. Retaining 40 per cent of the giveaway element in the flotation price has obvious attractions, particularly if the Public Accounts Committee cuts up rough about the price fetched for the distributors. Since the official line is that the market will value the generators more highly the better it gets to know them, the government is also implicitly advertising the long-term attractions of the shares by leaving its money where its mouth is. Whether the generators really will seem more attractive a couple of years from now is quite another matter.

As luck would have it, the contracts guaranteeing both sale prices and fuel costs for the generators lapse in just over two years' time. The assumption is that the two companies will then have access to cheaper coal on the world market. But they will also be facing competition from new suppliers. The industry will move from a phase of stable and predictable cash flow to one of quite novel uncertainty just as the government's 40 per cent stake comes to overhang the market.

Then again, the present combination of recession and the Gulf crisis makes it pretty likely that the market as a whole will be higher in two years' time. Meanwhile, in a kind of belt-and-braces exercise, the government is proceeding with a partial tender for the initial 60 per cent offering. Taken with the rumoured absence of a lead underwriter, this suggests that a second embarrassing giveaway is to be avoided at all costs. From the taxpayer's viewpoint, this is wholly laudable. The punters might logically draw the opposite conclusion.

Asda

The Belzbergs may have gone from the share register, but nonetheless the next 18 months could determine whether Asda has an independent future. For the moment, it may look as though the company's management has only two pressing tasks ahead of it. Asda must first finish the task of revamping the 60 underperforming stores which it bought from Gateway in 1989. It must also generate sufficient internal cash flow to keep the lid on a £900m debt burden which has already cost it £58m in interest bills in just the first six months of this year. But whatever one thinks about the skill with which Asda can accomplish either job, one can see a further question looming ahead in 1992 or 1993, once the recession is over: whether Asda's problems in the late 1980s simply undermined its finances and its competitive advantage too far for it to remain a viable long-term rival for such as Sainsbury and Tesco.



Asda's half-yearly figures yesterday were dominated by the damage interest bills have done to taxable profits, down 37 per cent at £61m. Operating profits of the old Asda chain were up an underlying 30 per cent at £90m, another indicator of how resilient a trade food retailing is. The critical figure though was the £140m of capital spending, barely one-tenth of it relating to conversions of old Gateway stores.

Doubtless new capital investment by food retailers generally will decelerate at some stage in the mid-90s; but there is not much concrete evidence of it yet. In the meantime, Asda has to compete off a relatively weak balance sheet and with bottom-line margins weaker than those of its peers. As for the shares, which are yielding 5.2 per cent at the moment, the price already discounts a firm recovery in the near term.

Dixons

Despite a near-one third drop in interim earnings per share, Dixons is disposed to argue that it has turned the corner. Whatever the official UK retailing statistics say, trading has apparently been consistently better since August. Perhaps, having gone first into the downturn back in 1987, the electrical goods trade is at last finding that consumers are being lured back by a new generation of shiny hardware. But this does not yet apply to white goods; like-for-like sales at Currys were heavily down. And in the six months to November, UK consumer spending was still rising; it is now static and may well fall.

At yesterday's 146p, the shares are on a yield of 5.1 per cent and a prospective p/e of something over 12. Plainly, the market sees Dixons as a prime candidate for recovery when base rates eventually fall. The snag is that its profits are at present wholly derived from two activities – product insurance and European property – neither of which stand to gain from lower UK interest rates. There is no reason to doubt that the company is past the worst. The problem is that its recovery may be neither as prompt or as dramatic as the market seems to have assumed.

Property finance

From time to time, some light pierces the gloom in UK commercial property. It has become axiomatic that there is little hope of the property sector repaying or refinancing all its outstanding £37bn of bank debt. But it would be wrong to infer that all avenues to new finance are blocked off. The emergence of a deep and liquid market in debt securities backed by commercial mortgages is not something which will happen overnight, if at all. There have been, to date, perhaps only two issues: by Banque Paribas Capital Markets for BBH Group, and by Crédit Suisse for Mr Stuart Lipton's Stanhope Properties. But some of the preconditions for a market have crystallised, according to Standard & Poor's.

The critical point is that some classes of UK real estate, such as industrial property, are now yielding close to 9 or 10 per cent. This, in turn, is quite close to the yields of around 11.5 per cent demanded by counterparties in the sterling fixed-interest swap market. This all sounds very arcane. But what it means in practice is that it should be becoming easier for banks to securitise some of their property loans.

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COMPANIES & MARKETS
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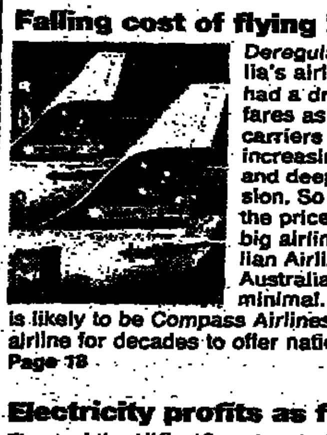
INSIDE

Unilever expands in Finland

Unilever, the Anglo-Dutch consumer products group, will double the size of its food interests in Finland by acquiring a 49.9 per cent stake in Jalostaja, part of Huhtamäki, the Finnish food, packaging and pharmaceuticals company. The companies did not disclose the price or other terms of the deal or how its existing businesses might co-operate. Page 14

Falling cost of flying high

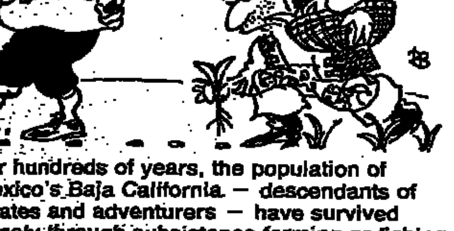


Deregulation of Australia's airline industry has had a dramatic effect on fares as the domestic carriers fight both increasing competition and deepening recession. So far, the cost of the price war to the two big airlines – Australian Airlines and Ansett Australia – has been minimal. The hardest hit is likely to be Compass Airlines, the first new airline for decades to offer national services. Page 18

Electricity profits as forecast

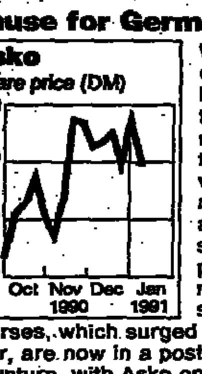
Three of the UK's 12 regional electricity companies privatised last month announced interim pre-tax profits yesterday and showed little deviance from expectations. Northern Electric reported historic cost pre-tax profits of £35m ($66.7m), representing 47.9 per cent of its full year pre-tax forecast of £73.1m. Also on an historic cost basis, East Midlands Electricity announced pre-tax profit of £14.8m and Southern Electric of £23.7m. Page 20

Reaping Baja's hidden treasure



For hundreds of years, the population of Mexico's Baja California – descendants of pirates and adventurers – have survived largely through subsistence farming or fishing. But for a lucky few, that has changed due to "an aid programme that became a business". That is how agronomist Larry Jacobs describes the del Cabo Project, an organic vegetable operation which in four years has made its participants into some of the highest paid farmers in the country. Page 22

Pause for German retailers



West German retailers enjoyed a bonanza year in 1990 largely due to the flood of east Germans crowding stores in the west. Tax cuts and wage rises for west German consumers also added to the spending spree, which saw a 10 per cent rise in total retail sales. Retail shares on the German bourses, which surged throughout most of last year, are now in a post-Christmas seasonal downturn, with Asko one of the few to resist the trend. Analysts, however, are optimistic that there are still good times ahead. Page 34

Asda falls 27% mid-way

The purchase by Asda of 60 Gateway stores for £705m ($1.3bn) in October 1989 is still weighing heavily on the company's financial performance. Yesterday, the UK supermarket chain announced a 27 per cent drop in interim pre-tax profits from £83.5m to £60.8m. Page 20

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Deutsche Bank	590.5	+	12.5
Hochtief	1047	+	22
Viag	336.2	+	7.2
Falls			
Heidelberger	900	–	30
Lahmeyer	957	–	18
Rosenthal	325	–	20

NEW YORK ($)			
Rises			
Apple Comp	45½	+	2¼
Chrysler	13	+	¼
Ford Motor	26⅛	+	⅜
United Air	115¾	+	4¼
USAir	15⅝	+	⅜
Falls			
Citicorp	12⅞	–	⅛

PARIS (FFr)			
Rises			
Accor	667	+	17
Bancaire Cie	450	+	18
Chargeurs	719	+	48
Locafrance	438.5	+	18.5
Suez (Fin de)	277.9	+	13.4
Falls			
Gen Geophys	755	–	37

TOKYO (Yen)			
Rises			
Hokuetsu Paper	755	+	41
Japan Sec Fin	1380	+	100
Rasa Ind	749	+	58
Falls			
Rional	1300	–	130
Seiko	3150	–	400
Shin-Etsu Poly	545	–	55

New York prices as at 12.30pm.

LONDON (Pence)			
Rises			
Allied-Lyons	490	+	16
ASDA	124	+	6
Bass	1059	+	25
Boots	329	+	11
Carlton Comms	379	+	15
Cassidy Bros	46	+	11
Davies & New	200	+	35
Goldsmiths	37	+	4
Guinness	772	+	17
Next	15½	+	2½
Racal Telecom	289	+	11
Telfos	132	+	7
Falls			
Arlen	24	–	2
BAA	396	–	8
Cairn Energy	260	–	10
Lex Service	155	–	5
Thames TV	333	–	5
Thorn EMI	670	–	4

A bridge over troubled waters

Clive Cookson, Karen Zagor, and William Dawkins look at the link between Kodak and Elf

The alliance, as Sterling Drug and Sanofi call their global venture, is an innovative solution to the competitive and financial pressures on the world's second-tier pharmaceutical companies.

As Mr Jean-François Dehecq, Sanofi chairman, says, each partner gains clout in research, development and marketing, without having to spend the $3bn or so that would be required to buy a medium-sized pharmaceuticals company.

Neither Sanofi – 62 per cent owned by Elf Aquitaine, France's state-controlled oil and chemicals group – nor Kodak, which is still incurring heavy interest payments following its acquisition of Sterling in 1988, is in a position to take on new debt.

Although the $5.1bn or $89.50-a-share price tag for Sterling was considerably higher than Hoffmann-La Roche's $72-a-share bid, the figure was not out of line with other drug company acquistions.

But Kodak's existing pharmaceutical businesses were too small to help the company save money through rationalistaion and consolidation.

Instead, Kodak found itself with an expensive, struggling pharmaceuticals business which has failed to intoduce any new drugs since the 1988 acquisition. This was despite, the company's library of some 500,000 chemical compounds, which Kodak had hoped could be be developed into drugs.

"Sterling was a big disappointment for Kodak," said Mr Hemant Shah, an independent New Jersey-based analyst.

Sterling's biggest product remains Bayer aspirin, which last year had sales of about $200m.

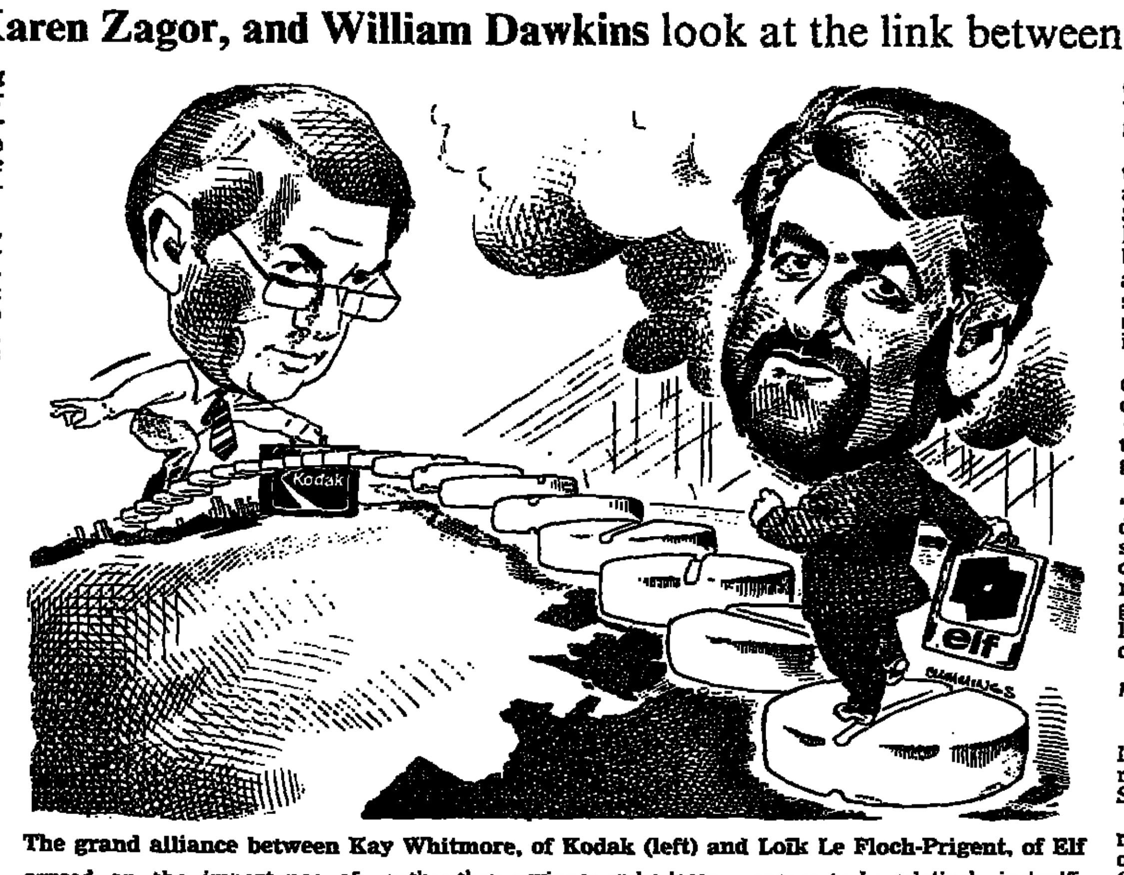
"This [deal] won't create a world-class pharmaceutical company," said Mr Shah, "given combined sales are only about $2.3bn and a large chunk of this is in over-the-counter drugs, but it was essential for both Sterling and Sanofi."

The deal follows an unprecedented wave of French takeovers in the US. Many of these have left the bidders struggling to service debts built up to finance their ambitions.

Rhône Poulenc, France's other big state-controlled chemicals company, has been hit hard by interest payments on the $1.7bn cash it raised early last year to buy Rorer, another US drugs company.

Mr Dehecq initiated the first contact with Sterling Drug last June. He selected the company on the grounds that it was about the same size as his own and was strong where the French group was weak.

Both sides agreed from the start that a full merger or even an acquisition was out of the question, he said. They also



The grand alliance between Kay Whitmore, of Kodak (left) and Loïk Le Floch-Prigent, of Elf

agreed on the importance of keeping basic research out of the deal.

Sanofi had already made two failed attempts to buy US drugs companies, A.H.Robins, which went to American Home Products in 1989, and Rorer.

That experience suggested that Sanofi would have had to pay about $3bn, equivalent to 30 to 40 times annual earnings, to buy a company such as Sterling Drug, estimated Mr Loïk Le Floch-Prigent, chairman of Elf Aquitaine. "It's better to have two winners rather than a winner and a loser. We thought we would rather keep our money for research and development," he said.

Mr Le Floch-Prigent insisted that the accord was equally balanced between the pair and that there was no dominant partner. Mr Dehecq admitted, however, that the decision to use Sanofi Winthrop as the brand name for the alliance's new ethical drugs would be an enormous boon to the French partner.

The cultural problems of a Franco-American link would appear to be relatively insignificant, according to the experience of Mr Jean-René Fourtou, chairman of Rhône-Poulenc. He said on a visit to the UK before Christmas that Poulenc's experience of the first nine months of the merger with Rorer showed that such an pharmaceuticals alliance could work well.

But Rhône-Poulenc Rorer is a single company. It is therefore a simpler undertaking than the Sanofi-Sterling alliance, with its three joint venture companies run by strategic management committees co-chaired by executives from the two parent companies.

Managerial complexity seems to be a potential weakness of the alliance, though a US adviser to Sanofi insisted last night: "It may look a bit complicated initially but everyone thinks it's a workable structure, given the understanding between the two companies and the personalities involved."

The combined research and development spending of the two companies – about $500m a year – will put the alliance among the world's top 10 pharmaceutical groups in R&D spending.

Sanofi and Sterling share a "mechanistic" approach to drug discovery, involving the intensive screening of collections of chemical compounds against rationally chosen biological targets. Both use computer modelling to design and synthesize new compounds.

They concentrate on complementary therapeutic areas. For example, Sterling is strong in cancer treatments and immunology, while Sanofi is strong in thrombosis.

Both carry out cardiovascular research – a field in which Sanofi has targeted hypertension (high blood pressure) while Sterling focuses on drugs to correct irregular hearth rhythms.

Analysts in the US said the move was extremely good for both companies.

"Combining operations is never easy," said Mr Viren Mehta, a drug industry analyst at Mehta & Isaly in New York, "but this is necessary for both companies because of pressing strategic needs."

The face of the $150bn-a-year world pharmaceuticals business has changed radically in recent years, with about $40bn of mergers and acquisitions in the last 18 months alone, according to drug industry analysts.

The Sterling-Sanofi alliance, which should allow both companies to become global players, is a logical extension of a trend, starting with: the Bristol Myers-Squibb merger; followed by the SmithKline merger with Beecham. Merck and Du Pont joined forces to form an international research and marketing company, while Johnson & Johnson and Merck formed a company to develop and sell over-the-counter drugs.

According to Mr Mehta, the emphasis in the pharmaceuticals industry is moving away from research and development and toward marketing and development.

"In the brave new world of marketing and development companies, the Sterling-Sanofi combination should allow the companies to survive and perhaps even prosper," said Mr Mehta.

Merged drug group to enter world top 20

By William Dawkins in Paris and Karen Zagor in New York

SANOFI and Sterling Drug, the medium-sized French and US pharmaceuticals companies, yesterday agreed to pool most of their businesses to create one of the world's 20 largest drugs companies.

Sanofi, currently the world's 35th largest drugs company, and Sterling Drug, number 37 in the league, are to form a new group, Sanofi Winthrop, with combined annual sales of $2.3bn.

Neither side will make any payment to set up the innovative deal, a mark of the indebtedness of Eastman Kodak, Sterling Drug's parent, as well as their shared unwillingness to divert cash from their heavy research budgets. Sanofi is a 62 per cent subsidiary of Elf Aquitaine, the French state-controlled oil group.

They are to set up two joint ventures, one covering North and South America, and Australasia, to be 51 per cent controlled by Sterling Drug, with Sanofi holding 49 per cent and with annual sales of $800m; plus a European, African Middle Eastern and south-east Asian company, to be 51 per cent held by the French partner and 49 per cent by Sterling Drug, with annual sales of $1.5bn.

The two drug companies are to set up a third joint venture for over the counter (OTC) drugs in Europe, with annual sales of FFr1.7bn ($327m), where they will draw profits directly from their own products.

This will be managed by Sterling because OTC products make up a much bigger slice of its sales than is the case for Sanofi, which is best known for its cardiovascular and anti-thrombotic prescription drugs like Ticlid and Calciparine.

Both sides are keeping independent ownership of their basic research laboratories but will share certain development costs, plus production, distribution and marketing.

The pair will continue to draw profits directly from their separate existing drugs, but will share costs and profits from new products. The letter of intent they announced yesterday will be turned into detail agreements in three months.

Jenbacher emerges as contender for Telfos

By Richard Gourlay in London

JENBACHER Werke, the Austrian engineering company, yesterday emerged as a serious contender for Telfos Holdings, the Leeds-based rolling stock manufacturer which received a hostile £40m ($75.6m)bid from William Cook on Tuesday.

The Tirol-based company, which is the largest rolling stock supplier in Austria and has a market capitalisation in Vienna of Sch984m ($91.36m), said in a statement that it remained interested in a possible bid.

Jenbacher, which has built a 2 per cent stake in Telfos since December, said it believed the two companies could produce a "major force in the European railway industry".

Before making an offer Jenbacher would like to meet the management of Telfos's industrial divisions, to ensure the "perceived industrial synergy" existed and further consideration of the "adequacy of provisions" that Telfos has made in its accounts against investments that have turned sour.

As William Cook launched its surprise bid on Tuesday, Jenbacher directors met the Telfos board in London to discuss Jenbacher's possible offer.

Mr Stephen Cockburn, chairman of Telfos, said his board was giving the Jenbacher proposal serious consideration and the two companies had exchanged invitations to visit each other's operations.

Telfos would be reluctant to give Jenbacher further information concerning its provisions before issuing its defence to the Cook bid because any information would also have to be made available to the hostile bidder, Mr Cockburn said.

Telfos also said in a statement through its financial advisers, Baring Brothers, that it was aware recent board changes had created uncertainty. These include the recent resignations of a chief executive and a joint managing director. A review of the group's financial position would focus shareholder attention on the "excellent outlook for its core railway and engineering activities," the statement said.

Telfos was forced to defer dividend payments on preference shares early this month and has made £8.6m of provisions covering bad investments.

Jenbacher has sales of about Sch1bn and is 51 per cent controlled by Auricon, a Vienna quoted holding company which bought the rolling stock company from Creditanstalt, Austria's commercial bank, in 1989.

Airbus Industrie to review Pan Am lease arrangements

By Nikki Tait in New York

AIRBUS Industrie, the European four-nation aircraft manufacturing consortium, is to review over the next few days with Pan American whether the financially troubled US airline can carry on leasing 21 Airbus A300 and A310 widebody aircraft valued at around $850m.

Mr Jean Pierson, the Airbus chief executive, said yesterday the European consortium was owed $34m by Pan Am for overdue lease payments on the 21 aircraft.

Pan Am filed for protection from its creditors under Chapter 11 on Tuesday. Bankers' Trust, the US investment trust and United Airlines have agreed to provide an interim loan of $150m.

Mr Pierson made it clear Airbus intended to take a tough stance in the new round of negotiations with Pan Am to protect its interests and recoup the outstanding backpayments on the previous lease agreement.

Airbus started taking legal

Pierson: tough stance

advice on the issue last November when it became worried both by Pan Am's mounting financial problems and its earlier experience with Eastern Air Lines, an Airbus customer which has also filed for Chapter 11. Airbus officials said yesterday that Airbus has had to make provisions totalling about $80m for unsecured loans to Eastern.

Airbus originally signed a long-term lease agreement with Pan Am for the 21 widebody jets in 1985. But last month it announced that it had terminated the agreement because of concerns over Pan Am's ability to honour its commitments and the possibility of the US airline filing for protection from its creditors under Chapter 11 of the US banking code.

Airbus pre-empted the move on December 21 by terminating its long-term lease agreement with Pan Am and substituting it with a new short-term monthly lease due to expire on January 20.

Airbus will be able to repossess the 21 widebody aircraft after that date if it fails to reach a satisfactory agreement with Pan Am to renew the short-term monthly lease for the jets, Mr Pierson said.

BNE rescue cost may top $2.3bn

By Peter Riddell in Washington and Alan Friedman in New York

THE US rescue of the Bank of New England, the bank that was declared insolvent last weekend and taken over by the US bank regulators, is likely to cost more than the $2.3bn (£1.2bn) already disclosed, according to Massachusetts officials and bankers involved in the bail-out.

The officials, who asked to remain anonymous, said the $2.3bn price-tag was a rough estimate and that costs could mount depending on the extent of further loan losses to be discovered and the amount of real estate assets that can be sold. The rising bail-out cost could make the BNE rescue the most costly in US banking history. Mr William Seidman, chairman of the Federal Deposit Insurance Corporation (FDIC), said on Sunday the government might eventually have to declare up to $6bn of BNE's $22bn of assets worthless.

A senior official involved in the rescue said yesterday this consisted of $3.3bn of non-performing loans and foreclosed properties plus a further $2.5bn to $3bn of sub-standard loans that might be unrecoverable.

It also emerged yesterday that the acquirer of BNE – whether it is the Bank of America, Banc One of Ohio or another bank – will probably have to pay between $750m and $1bn for the bank's franchise of 300 branches and deposits. This would be aimed at achieving a capital ratio of about 4 per cent by injecting funds into the bank, which will have negative capital of about $200m when fourth-quarter 1990 loss is calculated.

In Washington, meanwhile, it was explained that the Federal authorities' decision to protect all depositors at BNE was taken because of the fear that not doing so could trigger other bank failures and a further drain on the already weak deposit insurance fund.

Federal regulators yesterday explained to the House Banking Committee why the rescue, late on Sunday, of the banks owned by BNE covered all deposits, and not just those up to $100,000 protected by the Federal guarantee.

Bankers cautious over EC capital backing proposal

By **Lucy Kellaway** in Brussels

SENIOR European bankers have expressed continued doubts over an EC proposal setting the minimum capital backing for investment firms, arguing that much of the detail in the draft directive is still not adequate.

In a hearing before the European parliament they nevertheless gave the proposal – seen as a vital part of EC plans for a single market in financial services – a broad measure of support for its broad outline.

The directive has proved highly controversial, with British brokers initially arguing that it would put them out of business and German banks unhappy that it gave independent investment firms advantages over brokers owned by banks.

The proposal was last year changed to make it more flexible, allowing the required capital backing to be more closely related to the risk in doing that business. Bankers told MEPs that further adjustments needed to be made to allow brokers to offset positions denominated in different EMS currencies.

In the present draft, positions held in different currencies would need a higher corresponding level of capital backing. They argued it was ridiculous for a directive that was intended to allow firms to benefit for the single market to deny them the benefits stemming from the EMS.

Mr Henri Fayt, President of the European Banking Federation said that the supervision of securities interests that are owned by banks had still not been resolved. He argued that while consolidated supervision for banks was well established. the principle of similar supervision for securities companies was not yet known.

Sir Martin Jacomb, chairman of the British Bankers Association, warned that the EC's work should go hand in hand with similar proposals being drawn up in other international bodies. However, Mr George Zavvos, the MEP responsible for writing parliament's report on the directive, said it was important that the EC should continue to lead the field in capital adequacy.

Unilever raises Finnish food stake

By **Clay Harris** in London and **Enrique Tessieri** in Helsinki

UNILEVER, the Anglo-Dutch consumer products group, plans to double the size of its food interests in Finland by acquiring a 49.9 per cent stake in Jalostaja, part of Huhtamäki, the Finnish food, packaging and pharmaceutical company.

The companies did not disclose the price or other terms of the deal or how existing businesses might co-operate.

Jalostaja has sales of FM540m ($146m) a year. Food accounts for more than half of Unilever's FM950m turnover in Finland.

The two businesses overlap only in soup, which Jalostaja sells under its own name and Unilever under the Blaband brand. Jalostaja's other products are ready meals and fish preserves, while Unilever sells margarine and tea in Finland.

Jalostaja will be run by its existing management, which will report to a committee representing the two companies.

Huhtamäki attributed the sale to the upheaval which Finnish food and agriculture companies face as they emerge from decades of protection to face external competition. Many have sought domestic and international partners.

"We could call the [partial] acquisition of Jalostaja by Unilever a strategic alliance and a way rapidly to internationalise our foods operations," Huhtamäki said yesterday. "Getting Unilever as a partner was a sound move, considering the size of Jalostaja and the amount of capital it would have required to internationalise the company."

Huhtamäki said the alliance would provide Jalostaja with valuable expertise in product development and give it access to Unilever's vast markets within Europe.

Unilever began its operations in Finland in 1925, when it bought a soap factory in Turku.

Proventus to buy entire subsidiary

By **Robert Taylor** in Stockholm

PROVENTUS, the Swedish investment company, said yesterday it intended to acquire all the shares in Proventus International (formerly Datatronic, the computer company) and make it a wholly owned subsidiary.

The organisations of the two companies are to be merged and Mr Hans Danielsson, the current president of Proventus International, will become executive vice-president in Proventus responsible for overseas activities. Proventus International will no longer be a listed company on the Stockholm bourse.

In a statement yesterday Mr Mikael Kamras, Proventus president, said that the decision to acquire all of Proventus International stemmed from the sale of the Proventus interest in Gota AB, the bank holding company.

"Similarities in the business concept and the resulting potential conflict of interest necessitated – from the shareholders' point of view – that the companies have a common shareholder base," he said.

The acquisition of Proventus International involves Proventus exercising an option to acquire 70,000 additional B non-voting shares on top of the 7,936,033 shares – both A voting shares and and B non-voting shares – it already has.

Regulators explain bank rescue package

By **Peter Riddell**, US Editor, in Washington

THE FEDERAL authorities' decision to protect all depositors at the Bank of New England was because of the fear that not doing so could trigger additional bank failures and a further drain on the already weak deposit insurance fund.

Federal regulators yesterday explained to the House Banking Committee why the late Sunday rescue of the banks owned by the Bank of New England covered all deposits, and not just those up to $100,000 protected by the federal guarantee.

Mr Robert Clarke, comptroller of the currency, warned that "a further loss of confidence in the banking system could have induced additional bank failures which would have cost the Federal Deposit Insurance Corporation (FDIC) more than it would have saved by limiting coverage to insured deposits".

He also argued that regulators would not have saved federal money by intervening earlier and may have reduced losses by allowing the new management team at the bank to cut costs and reduce assets over the last year.

Mr William Seidman, FDIC chairman, confirmed that FDIC staff had started discussions with the Bank of America, Banc One and other qualified bidders to purchase the three banks previously owned by Bank of New England Corporation.

Mr Seidman said that, nationwide, he could not rule out the possibility of bank failures of the size of Bank of New Land.

The FDIC yesterday proposed that it should be given the authority to levy risk-based premiums for deposit insurance. It does not back any particular method and recommends cautious implementation of any system that might be decided upon in order to avoid precipitating further bank failures and losses to the insurance fund as a result of the increased burden which such risk-based premiums would impose on troubled financial institutions.

Siemens and Skoda discuss links

By **Katharine Campbell** in Frankfurt

SIEMENS, the German electrical and electronics company, is talking to Skoda of Czechoslovakia about co-operation in sectors of the state engineering conglomerate.

Siemens would not give details of the negotiations, but it said yesterday that it was interested in a wide range of the group's activities, including power stations and locomotive construction.

The Germans might work as part of a European consortium or might take stakes in various parts of Skoda. Volkswagen signed an agreement in December with Skoda to take an initial 25 per cent stake in the car manufacturing arm for an investment of DM500m ($327m), rising to 70 per cent for a further DM700m by 1995. The Czechoslovak government picked the leading German manufacturer against a consortium consisting of French company Renault and Volvo of Sweden.

Siemens said yesterday that it had co-operated for years with Skoda in power station manufacturing. The French Framatome, with which Siemens has an agreement on jointly building power stations abroad, is also understood to be involved in the Skoda talks.

Skoda is a leading railway locomotive manufacturer in eastern Europe, and Siemens has exchanged information with Skoda on three-phase locomotive motors. Other western companies understood to be interested in this unit include the Swedish/Swiss concern Asea Brown Boveri.

Siemens is the most active western participant in the industrial regeneration of east Germany, employing nearly 15,000 people. It expects a turnover of about DM3bn for 1991 with DM4bn-worth of new orders, in sectors such as telecommunications, power generation and automation.

GEC Alsthom sets 1990s agenda

Andrew Baxter and **Ronald van de Krol** examine the group's aims

GEC Alsthom, one of the two big European power engineering and transportation equipment groups to emerge from the mergers of the 1980s, ended its self-imposed silence yesterday to set out its priorities for the 1990s.

Its first annual press conference in Amsterdam was a milestone even if 18 months had passed since the joint-venture deal between General Electric Company of the UK and France's Alcatel Alsthom was consummated. But officials emphasised the company had needed to grapple with the immense cultural differences between the partners.

GEC Alsthom was established in 1989 in response to changes in the power and transportation equipment industries, caused by static world markets, overcapacity and soaring research and development costs. It followed a year after the creation of Asea Brown Boveri (ABB), the Swedish-Swiss group which competes with GEC Alsthom in virtually every sector.

There has been further upheaval in the two rival companies' main sectors. On the one hand, power generation has shifted from nuclear programmes to smaller, more efficient combined-cycle plants, and the UK's equipment demands have been reshaped by the forthcoming privatisation of the electricity-generating industry.

On the other hand, orders for railway equipment – where GEC Alsthom's most high-profile product is the high-speed French train TGV – have mushroomed, reflecting growing environmental concerns.

On the fast track: orders for railway equipment have mushroomed

In its first 18 months, the company has moved to consolidate its base in Europe. It has spent Ecu230m ($307m) on 15 acquisitions, the most important of which was the purchase of a 50.1 per cent stake in Fiat Ferroviaria, the Italian group's railway equipment business. GEC Alsthom had previously found it difficult to break into the Italian market.

Another significant move was the acquisition, by its gas turbine subsidiary, of Kanis Energie of Germany from AEG, giving it a springboard for expansion in eastern Europe.

However, Mr Jim Cronin, one of GEC Alsthom's three managing directors, made clear that although eastern Europe would offer opportunities, it remained a "real bed of nails". The group's priorities lay in the fast-growing economies of the Pacific Basin.

Mr Jean-Paul Desgeorges, chairman and chief executive officer, said: "Asia must be the priority for the future. There are opportunities and we must be able to grasp them." In the US, where GEC Alsthom has yet to establish a strong presence, the company remains cautious about capital outlay. Some analysts believe it may already have missed the boat.

GEC Alsthom recognises acquisitions and joint ventures are the quickest way to expand, but Mr Cronin emphasised the company would not make purchases "at any price".

"We have rejected major deals because the price was not right or because there was no sympathetic basis with the potential partners."

Having bridged the differences between the companies, GEC Alsthom sees itself not as an Anglo-French company but as "an integrated international company", according to Sir Robert Davidson, the group's vice-chairman. It makes in 20 countries, sells products in 145 countries and employs 80,000 people, more than 20,000 of whom work outside France and Britain.

However, even though yesterday's conference combined Gallic grandiloquence and Anglo-Saxon number-crunching, French influence continues to dominate. Seven of the company's nine divisions are based in France, and one senior official conceded that any high-level committee meeting inevitably had a majority of French participants.

The group appears to have resolved the initial clash between the UK arm's profit-orientated approach and the French operation's turnover-driven mentality, partly by the introduction of GEC's rigorous monthly management-accounting practices, but also by a spirit of compromise.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Mitel president quits post after four years

By Robert Gibbens in Montreal

MR JOHN Jarvis, after almost four years at the helm of Mitel Corp, the Ottawa-based telecommunications equipment maker, is leaving "to pursue other business interests".

Mr Jarvis took over as president and chief executive of troubled Mitel in 1987, two years after British Telecom acquired control for C$320m (US$278m). He has been credited with reorganising Mitel and saving it from disaster. He was born in South Africa and educated as a mathematician at Oxford.

Mr Jarvis would not comment on his plans, but said his departure was not related to British Telecom's problems in finding a buyer for its 51 per cent stake in Mitel.

His job will be assumed by Mr Anthony Griffiths, now chairman. Mr Griffiths joined Mitel immediately after British Telecom bought control. He says he has a mandate to improve profits.

In the six months ended September 28 1990, Mitel suffered from stronger competition in the business telecom equipment market and

John Jarvis: move not related to British Telecom problems

reported a loss of C$7.1m on revenues of C$214m, against a profit of C$4.4m on sales of C$204m.

British Telecom paid C$8 a share for its Mitel stock. The shares are now worth C$1.25 on the market.

Analysts speculate that Mr Jarvis's departure could make it more difficult for British Telecom to sell the Mitel control block on reasonable terms.

Paramount ahead after sale of finance unit

By Karen Zagor in New York

PARAMOUNT Communications, the US publishing and entertainment company, has reported a strong improvement in earnings from continuing operations in the fourth quarter of 1990.

Gains from the sale of its Associates Capital financial services unit in October 1989 helped to offset a decline in its entertainment businesses.

For the three months ended October 31, earnings from continuing operations were $110.5m, or 93 cents a share, compared with a loss of $13.4m, or 11 cents, a year earlier.

Net income in the 1989 fourth quarter was distorted by the sale of Associates for a net gain of $1.2bn. Overall net income was $1.23bn, or $10.28, a year earlier. Revenues in the quarter rose to $1.18bn from $968.8m.

For 1990, Paramount's net income was $259.1m, or $2.16. Net income in 1989, excluding profits from Associates, was $11.5m (9 cents). But total net income for last year was $1.47bn ($12.21).

The 1989 figures included extraordinary items such as after-tax charges of $132.6m and a net gain of $7.4m. The company's 1990 results include net interest income of $78.8m, mainly due to investment of proceeds from the sale of Associates.

Revenues in 1990 were $3.9bn, compared with $3.39bn.

Mr Martin Davis, Paramount's chairman and chief executive, said the company was well positioned for continued growth in spite of the increasingly uncertain economic climate.

Paramount said operating income from its entertainment businesses fell in the year. Gains in Paramount's television operations were not strong enough to overcome declines in film and cinema operations and the costs associated with renovationsat Madison Square Garden.

The company's publishing businesses had higher earnings, after an improved performance from Simon & Shuster's publishing areas, particularly education.

Lufthansa in DM1bn issue to finance aircraft renewal

By Katharine Campbell in Frankfurt

LUFTHANSA yesterday kicked off its 1991 borrowing programme with two floating-rate note issues totalling DM1bn, with the proceeds to go towards the German national airline's three-year fleet renewal programme.

Despite expected operating losses for 1990, Lufthansa is investing some DM10bn ($6.5bn) in aircraft over three years, beginning last year.

It has also been hit by high staffing costs and the escalating fuel prices being suffered across the airline industry.

By the end of 1992, the average age of its fleet will be down to five years, with quieter, more fuel-efficient and less staff-intensive aircraft.

Lufthansa said yesterday that it would be spending DM3bn this year, with about DM1.7bn being financed through the capital markets, and the rest to come from internal sources such as cash flow.

The airline is still waiting for a decision from the Bonn transport ministry on its proposal to assume control of Interflug, the lossmaking east German airline. The Berlin cartel office will only approve the deal if the Treuhand, the trust body that now owns Interflug, can show that no other bidders are willing to embark on resuscitating Interflug.

If Lufthansa's plans are adopted, it would be handed a contract by Bonn, as the owner of Interflug, to revitalise the airline, funded by the government. Lufthansa would pay for the shares only when the task was completed.

Government proposals to sell the 52 per cent of Lufthansa that it still owns could run into obstacles because of the way the pension system is set up. Bonn is searching for ways to reduce the budget deficit, but to unwind the pension obligations, the state could be forced to pay a cash sum equivalent to the discounted value of future obligations, making the sale less attractive.

NatWest loses top credit rating

By Stephen Fidler, Euromarkets Correspondent

NATIONAL Westminster Bank yesterday lost its top Aaa credit rating from the US rating agency, Moody's Investors Service.

The bank was downgraded from the highest rating by the other main US rating agency, Standard & Poor's, in August and by the UK-based credit specialist IBCA the following month.

"Following a period of market liberalisations and loan expansion, we expect problem lending and loan losses to continue to rise due to weak economic conditions in the UK and US," Moody's said in explanation.

About $9bn of debt issued by NatWest and its subsidiaries is affected.

Profitability would weaken as the bank increased provisions for possible loan losses over "a somewhat extended period".

This and recent dividend increases would put some pressure on the banks' capital. In the US, the bank's loans for real estate highly indebted companies and project financings are particularly vulnerable.

"In the UK, the decline has been more general and limited," it added.

However, some lending sectors in which the bank holds significant shares – small middle market businesses, property, construction and retail services were likely to show above-average sensitivity to the economic slowdown and the prolonged high level of interest rates.

The bank's senior rating was lowered one notch from Aaa to Aa1 and subordinated debt rating from Aa1 to Aa2. The agency's top Prime 1 rating for the bank's short-term debt and deposits remains unchanged.

● Moody's also lowered the long-term debt ratings on about $1bn of the debt of the 3i Group, the UK venture capital and buy-out specialist.

Moody's said the action reflected its expectation of further increases in provisions and problem loans since the company would be particularly sensitive to the UK economic slowdown.

It lowered the long-term debt rating from Aa1 to Aa-3, however, the short-term debt rating remains unchanged.

Court says DG Bank must buy back bonds from unit

DEUTSCHE Genossenschaftsbank (DG Bank), the central bank for Germany's co-operative institutions, must buy back bonds with a face value of DM1.2bn ($784m) from its subsidiary Bausparkasse Schwaebisch Hall (BSH), Reuter reports from Frankfurt.

A German arbitration court has ordered the bank to honour verbal pledges from former DG Bank chief bond dealer Mr Friedrich Steil to buy the bonds back.

DG Bank sacked Mr Steil last year following a dispute with French banks about similar bond deals.

DG Bank said its deals with BSH were scrutinised after French banks said deals with DG Bank involving bonds worth a nominal DM6bn were part of a repurchase agreement.

DG Bank initially said it had no documentation to back such a deal, but later agreed to take the French banks' bonds back. The value of the paper had fallen sharply as German bonds slid on fears about the mounting costs of German unity.

DG Bank said the arbitration court decision meant that the same conditions had been applied to the bonds sold to BSH as those applied to the French banks' bonds.

The court had not decided who would pay any damages from the bond transactions and another court hearing would be needed to determine this, it added. This meant the decision would not affect the French deals.

Based on current market rates, the bonds sold to BSH in 1989 have lost between DM70m and DM100m in value. Mr Helmut Guthardt, the outgoing DG Bank chairman, has estimated losses from the bond deals with the French banks to be at least DM300m.

Lazard Brothers to take stake in Swiss bank

By David Lascelles, Banking Editor

LAZARD Brothers, the London merchant bank, is taking a substantial minority stake in Les Fils Dreyfus, a Basle-based private bank.

Lazard is not disclosing the size and cost of the stake, but the chief executive, Mr David Verey, said it would cement a long-standing relationship between the two banks.

Dreyfus, founded in 1813, is owned by the Dreyfus family. It specialises in private banking and fund management, and employs about 200. At the end of 1989, it had a balance sheet totalling SFr672m ($525m), and disclosed share capital and reserves of SFr250m. In 1989, it reported profits of SFr23.6m.

Mr Verey, who will join the Dreyfus board, said the two banks would develop their existing co-operation on the fund management side, and explore other possibilities.

The investment is being funded out of Lazard's own resources and by Lazard Partners Limited Partnership, the principal shareholder in the Lazard group of banks.

International Paper posts sharp decline

By Karen Zagor

INTERNATIONAL Paper, the US forest products group, has showed a sharp decline in fourth-quarter earnings. However, the fall, which highlights the cyclical downturn in the industry, was in line with expectations.

For the three months ended December 31, the company reported net earnings of $23m or 20 cents a share against $197m or $1.81 a year earlier. Earnings in the 1990 quarter include an after-tax charge of $137m or $1.26, mainly related to the sale or liquidation of non-strategic and under-performing assets.

Revenues rose to $3.3bn in the latest quarter from $2.9bn.

For the full year, the company recorded net income of $569m or $5.21 a share including the after-tax charges, compared with $845m or $7.72 a year earlier.

Revenues grew to $13bn in 1990 from $11.4bn.

Mr John Georges, chairman, said the results were "reasonably good given the nation's poor economic climate". He said the company's European paper businesses had performed well.

The company's planned asset sales are expected to generate as much as $200m in after-tax proceeds in the next three years.

Canada shippers to merge Great Lakes cargo units

By Robert Gibbens

THREE leading Canadian shipping companies, faced with several years of declining business, are merging their Great Lakes bulk cargo operations.

Canada Steamship Lines, Montreal, controlled by a family holding company, will contribute eight bulk vessels to the partnership. Misener, a privately-held Ontario company, will contribute five of its vessels plus three owned by James Richardson & Sons, Winnipeg, that are managed by Misener.

The new company, which will begin operating this spring, is called the Great Lakes Bulk Carriers. The aim is to reduce overhead and operating costs and offer more flexibility to customers through running a larger fleet.

The 16 vessels will operate mainly on the Great Lakes and St Lawrence River network from Labrador to Thunder Bay, north-western Ontario, taking Canadian wheat exports eastward and returning iron ore to Great Lakes steel plants.

The ships will remain in the existing ownership, but will be managed by the new company.

Declining grain exports and iron ore markets reduced total Great Lakes cargo tonnage from 200m tonnes in 1980 to 150m tonnes last year.

Fifty Canadian vessels have been taken out of service and two other bulk shipping concerns formed a 16-vessel joint marketing group last year. There are still several independent bulk fleets.

Mr Frederick Pitre, president of Canada Steamship Lines, said the pooling was solely of conventional bulk cargo vessels and his company would continue to operate independently its fleet of 22 self-unloading vessels.

NEW WITS LIMITED

(Incorporated in the Republic of South Africa)
(Registration No. 05/04822/06)

INTERIM REPORT

CONSOLIDATED INCOME STATEMENT

	*Six months ended 31 December 1990	*Six months ended 31 December 1989	Year ended 30 June 1990
	R'000	R'000	R'000
Revenue			
Income from investments	9,117	9,155	16,693
Surplus on realisation of investments	13,352	3,394	5,945
Interest and sundry revenue	165	637	788
	22,634	13,186	23,426
Expenditure	2,750	620	3,359
Administration	783	522	1,190
Exploration	1,223	87	1,873
Interest paid	744	11	296
Profit before tax	19,884	12,566	20,067
Tax	30	997	322
Profit after tax	19,854	11,569	19,745
Minority shareholders' interest	–	86	208
Profit attributable to members	19,854	11,483	19,537
Earnings per share – cents	65	50	85
Dividends – per share – cents	17	17	50
– absorbing – R'000	5,208	3,928	11,552
– times covered	3.8	2.9	1.7

*Unaudited

CONSOLIDATED BALANCE SHEET

	*At 31 December 1990	*At 31 December 1989	At 30 June 1990
	R'000	R'000	R'000
Investments	180,075	70,903	97,101
Properties and ventures	135	135	135
Net current assets	(11,335)	979	(24,720)
Current assets	4,261	6,206	3,951
Less current liabilities	15,596	5,227	28,671
	168,875	72,017	72,516
Share capital	88,584	5,776	5,776
Reserves	80,291	65,224	65,654
	168,875	71,000	71,430
Minority shareholders' interest	–	1,017	1,086
	168,875	72,017	72,516
Investments			
Listed – Market value	366,099	433,480	362,529
– Excess over book value	187,350	363,903	266,754
– Book value	178,749	69,577	95,775
Unlisted – Book value	1,326	1,326	1,326
Number of shares in issue	30,635,201	23,103,608	23,103,608
Net assets (as valued) per share – cents	1,243	1,860	1,532

*Unaudited

NOTES

1 **Dividend** A dividend No. 79 of 33 cents per share, absorbing R7,624,000, was declared in respect of the year ended 30 June 1990 on 7 August 1990 and paid on 26 September 1990.

2 **Merger of Selected Mining Holdings Limited, Witwatersrand Deep Limited and this Company** The schemes of arrangement providing for the establishment of Selected and Wit Deep as wholly owned subsidiaries of New Wits were approved at general meetings of shareholders of the respective companies held on 28 November 1990 and subsequently sanctioned by the Supreme Court (Witwatersrand Local Division). The merger became operative on 17 December 1990 and the listing of the new New Wits shares commenced on the stock exchanges in Johannesburg and London on the same day.

3 **Presentation of Results** The latest results are not comparable with past results because Wit Deep operated as a separate company until 30 June 1990.

4 **Prospects** Despite the weak gold price it is most likely that the final dividend paid last year will be maintained.

DECLARATION OF INTERIM DIVIDEND

Dividend No. 80 of 17 cents per share has been declared in South African currency, payable to members registered at the close of business on 25 January 1991.

Warrants payable on 27 February 1991 will be posted on or about 26 February 1991.

Standard conditions relating to the payment of dividends are obtainable from the share transfer offices and the London Office of the Company.

Requests for payment of the dividend in South African currency by members on the United Kingdom register must be received by the Company on or before 25 January 1991 in accordance with the above-mentioned conditions.

The register of members will be closed from 26 January to 1 February 1991, inclusive.

On behalf of the Board,
M. R. Fuller-Good } Directors
C. J. Ross }

Registered and Head Office
Gold Fields Building,
75 Fox Street,
Johannesburg 2001.

London Office
Greencoat House,
Francis Street,
London SW1P 1DH.

United Kingdom Registrar
Barclays Registrars Limited,
Bourne House,
34 Beckenham Road,
Beckenham, Kent BR3 4TU.

9 January, 1991

A MEMBER OF THE GOLD FIELDS GROUP

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Client and Assignment	*Approximate Size*
Keystone-Arapahoe Limited Partnership Sale of partnership interests in Keystone Resort Colorado to The Ralston Purina Company.	Undisclosed
Koolmees Holdings, B.V. and Kokmeeuw Holdings, B.V. Acquisition of Grupo Torras, S.A.	$1,600,000,000
Lafarge Coppée S.A. Financial advisory.	Undisclosed
Leybold AG Divestiture of Gas Analysis Division to Rosemount Inc., a wholly owned subsidiary of Emerson Electric Co.	Undisclosed
Leybold AG Divestiture of Freeze Drying Activities to Finn-Aqua Santasalo-Sohlberg Corp.	Undisclosed
Lilley plc Acquisition of Hatfield Estates plc.	$30,000,000
LIN Broadcasting Corporation Advised the Special Committee of the Board of Directors on the issuance of securities in connection with an exchange of assets with Metromedia Company.	$850,000,000
Lincoln National Corporation Divestiture of Preferred Financial Corporation.	Undisclosed
Masco Corporation Sale of Compac Corporation, Fulton Manufacturing Corporation and Reese Products, Inc. to TriMas Corporation.	Undisclosed
Motel 6, L.P. Sale of the company to Accor S.A.	$2,300,000,000
Nashua Corporation Divestiture of International Office Systems Group to Gestetner Holdings PLC.	$201,800,000
National Intergroup, Inc. Divestiture of interest in National-Southwire Aluminum Company to Southwire Company.	$40,000,000
New York State Electric and Gas Company Acquisition of New York State distribution system from Columbia Gas of New York, Inc.*	$55,000,000
NL Industries, Inc. Acquisition of Lockheed Corporation.*	$2,528,000,000
Noble Drilling Corporation Acquisition of Transworld Drilling Company, a wholly owned subsidiary of Kerr-McGee Corporation.*	$75,000,000
Pacific Telesis Group Merger with Cellular Communications, Inc.*	$1,500,000,000
Pennsylvania Enterprises, Inc. Merger with NUI Corporation.*	$420,000,000
Penntech Papers Inc. Sale of the company to Willamette Industries, Inc.	$75,000,000
Philipp Brothers Oceanic Inc. Divestiture of the Taiwan Pizza Hut Franchise to Jardine Matheson Holdings Limited.	Undisclosed
Philips Industries Inc. Sale of the company to Tomkins PLC.	$550,000,000
Pinnacle West Capital Corporation Defense advisory.	$1,821,000,000
Portman Companies Sale of The Portman, a San Francisco luxury hotel.	$100,000,000
Premium Beverages Inc. Advised the Board of Directors on the company's valuation and provided a fairness opinion in connection with its sale to Joseph E. Seagram & Sons, Inc.	Undisclosed
Prime Motor Inns, Inc. Sale of Howard Johnson Franchise System and Ramada Franchise System, Inc. to Franchise Holdings Corporation.	$171,000,000
Public Service Company of New Hampshire Represented the Official Committee of Unsecured Creditors in bankruptcy proceeding and in negotiations with Northeast Utilities.*	$2,400,000,000
Regional Bancorp Defense advisory.	Undisclosed
Renown Incorporated Acquisition of Aquascutum Group PLC.	$126,000,000
Resorts International, Inc. Represented the company in bankruptcy proceeding.	$925,000,000
Richfood Holdings Inc. Divestiture of Garner Wholesale Merchandisers, Inc. to a subsidiary of McKesson Corporation.	$16,000,000
Salomon Inc Purchase of Lehman Management Co. from Shearson Lehman Hutton Inc.	$28,000,000
Salomon Inc and GEICO Corporation Divestiture of interest in Bond Investors Group, Inc. to MBIA Inc.	Undisclosed
San Diego Gas & Electric Company Merger with SCEcorp.*	$2,600,000,000
Scott Paper Company Acquisition by joint ventures with Feldmühle AG of the Sanitary Tissue Business of Feldmühle AG, a wholly owned subsidiary of Feldmühle-Nobel AG.	$260,000,000
Soo Line Corporation Advised the Special Committee of the Board of Directors in connection with the sale to Canadian Pacific Limited of the 44.2% of outstanding common stock not already owned by Canadian Pacific Limited.	$204,000,000

Client and Assignment	*Approximate Size*
Southwestern Bell Corporation Acquisition of a controlling interest in Teléfonos de México, S.A. de C.V. by a consortium consisting of Southwestern Bell Corporation, France Telecom and Grupo Carso.*	$1,760,000,000
Southwire Company Acquisition of certain assets of AT&T Nassau Metals Corporation, a wholly owned subsidiary of American Telephone And Telegraph Company.	Undisclosed
Sovran Financial Corporation Merger with The Citizens and Southern Corporation to create C&S/Sovran Corporation.	$4,700,000,000
Technology Applications (Thailand) Limited Acquisition of majority interest in Code-A-Phone Corporation.	Undisclosed
The Bell Group International Limited Divestiture of Bryanston Insurance Company Limited to GFA International Limited.	Undisclosed
The CIT Group, Inc. Acquisition of Fidelcor Business Credit Corp. from First Fidelity Bancorp.*	Undisclosed
The Fairchild Corporation Divestiture of Enviro Holding Company to North West Water Group Plc.	$75,000,000
The Foxboro Company Sale of the company to Siebe plc.	$656,400,000
The Talman Home Federal Savings and Loan Association of Illinois Financial advisory.	Undisclosed
The Travelers Corporation Divestiture of Travelers Mortgage Services, Inc. to General Electric Mortgage Capital Corporation.	Undisclosed
Time Warner Inc. Divestiture of Scott, Foresman and Company to Harper & Row, Publishers, Inc., a subsidiary of The News Corporation Limited.	$455,000,000.
TransOhio Savings Bank Sale of branches.*	Undisclosed
Trau SpA Sale of the company to Compagnie Internationale d'Ameublement, a subsidiary of Pinault S.A.	Undisclosed
Triton Container Partners Corporation Fairness opinion in connection with the sale of assets by certain Triton Containers Partners limited partnerships to TRIPAC Limited.*	Undisclosed
Trustcorp, Inc. Sale of the company to Society Corporation.	$500,000,000
TVX Broadcast Group Inc. Divestiture of TVX of New Orleans, Inc. to an investor group.	$7,100,000
U.S. Leasing International, Inc., a subsidiary of Ford Motor Company Sale of United States Instrument Rentals, Inc. to AT&T Capital Corporation.	Undisclosed
Union Exploration Partners, Ltd. Merger into Unocal Exploration Corporation.	$4,619,000,000
United Engineers, Limited Acquisition of Goodman Medical Supplies Ltd.	Undisclosed
United Parcel Service of America, Inc. Acquisition of minority interest in Mail Boxes Etc.	Undisclosed
United States Can Company Merchant banking investment by Salomon Brothers Holding Company Inc in the company.	Undisclosed
United Technologies Corporation Divestiture of 75% interest in Diavia S.p.A. and Aurà S.r.L. to General Motors Corporation.	$68,000,000
United Technologies Corporation Divestiture of Global Automotive Sealing Systems Group to Schlegel Corporation, a wholly owned subsidiary of BTR plc.	$191,000,000
Upjohn Company Divestiture of Upjohn HealthCare Services, Inc. to Olsten Corp.	Undisclosed
U S WEST, Inc. Stock-for-stock exchange offer to the public shareholders of its 81% owned subsidiary, U S WEST NewVector Group, Inc.*	$350,000,000
Voe-Canhedo Consortium Acquisition of 60% controlling interest in Viação Aérea São Paulo (VASP).	$43,000,000
Walwyn Inc. Merger with Midland Doherty Financial Corporation to form Midland Walwyn Inc.	$40,000,000
Wang Laboratories, Inc. Divestiture of Wang Financial Information Services Corp. to Infotechnology, Inc.	$18,000,000
Western Union Corporation Divestiture of Business Services Group to American Telephone And Telegraph Company.*	$180,000,000
Wheelabrator Technologies Inc. Advised the Board of Directors in connection with a share exchange and merger with Waste Management, Inc.*	$490,000,000
Xerox Financial Services, Inc. Divestiture of NAVCO Corp. to General Motors Acceptance Corporation.*	$250,000,000

Salomon Brothers

London	Frankfurt	Paris	Madrid
(44 71) 721 2000	(49 69) 260 7150	(33 1) 47 63 79 07	(341) 410 3000

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INTERNATIONAL COMPANIES

Australian jet set wage price war

Kevin Brown assesses the effects of deregulation on the airline industry

TWO months after the Australian government scrapped regulation of domestic air services, a combination of competition and recession has pushed the country's airlines into a price war.

Deregulation, which took effect on October 26, removed controls on pricing and route scheduling, and opened the way for the launch in November of Compass Airlines, the first new airline for decades to offer national services.

Compass had no difficulty in raising A$50m (US$39m) in launch capital, reflecting widespread dissatisfaction with the safe but costly services offered by government-owned Australian Airlines and Ansett Australia, jointly owned by TNT and News Corporation, Mr Rupert Murdoch's media group.

Mr Bryan Grey, the former Ansett executive who established Compass, set standard economy fare levels 20 per cent below the big two from day one, relying on efficient operation and high productivity to produce profits.

Compass appeared to have lost its way in its first two weeks in the air, when cabin staff often outnumbered passengers on the key Sydney to Melbourne route.

But the airline has since recovered some ground, and is now estimated by analysts to have between 2 per cent and 4 per cent of the market, compared to 42 per cent for Australian and 44 per cent for Ansett and its regional affiliates. The remainder is accounted for by other regional and feeder airlines.

In response, Australian and Ansett have introduced discounts of up to 61 per cent, while Compass has begun offering low-price, stand-by tickets which can be bought through travel agents and confirmed 24 hours in advance.

The price war has cut the cheapest unrestricted Sydney to Melbourne return fare to A$198, compared with the standard economy fare of A$438 before deregulation.

Savings on the longer-haul routes are even greater: a return fare from Sydney to Perth, for example, can now be bought for A$498, compared with A$1,134 before deregulation.

So far, the cost of the price war to the two big airlines has been minimal because their sophisticated computer booking systems allow them to restrict discounted fares to unsold seats, while continuing to sell fares at standard prices to the majority of passengers who need to book well ahead.

But analysts say it is likely to hurt Compass, which may be losing some passengers who might otherwise have bought its standard economy fares at 80 per cent of the fares charged by the big two.

Mr Grey admits that Compass's bad start means it has not achieved the 60 per cent average passenger loading – a measure of seat sales – which is required to meet the company's forecast pre-tax profits of A$20m for the year to June 1991.

However, he says the airline's two Airbus A300-600R aircraft are now achieving average loading of 79 per cent, of which 75 per cent are at the standard economy fare.

Two further Airbuses are due to be delivered at Easter, with a fifth in October and a sixth next year.

Compass is more worried about fuel costs, which have increased to an average of 36 cents per litre compared with the company's budgeted price of 22 cents, but Mr Grey says the company will achieve its profits forecast and pay a 20 per cent dividend promised to investors.

The big airlines are also worried by rising fuel prices, which at current levels would increase their fuel bills by more than A$65m in a full year.

The recession which has gripped Australia has also cut non-leisure travel significantly. Yet both claim to be making profits.

"It is going to be a difficult year," says Mr John Schaap, chief executive of Australian Airlines. "I still think we will come out in the black, but just how much the profit will be I cannot say at this stage."

Australian reported a net loss of A$14m last year, against a profit of A$70m in 1988-89, but most of the downturn was caused by a year-long dispute with the domestic pilots' union, which grounded most of the company's aircraft for nearly a year.

Ansett, which made a pre-tax profit of A$44m last year – after foreign exchange gains of A$38m – says it is making an operating profit for the current year "so far", but refuses to forecast a full-year result.

The price war introduces further uncertainty into an industry already unsettled by the government's decision to privatise Australian Airlines and reports that both News Corporation and TNT may have to sell their shares in Ansett.

News Corporation, which is negotiating a US$8bn debt rescheduling, is believed to have told its bankers it is prepared to sell non-core assets including its stake in Ansett, while TNT has come under pressure recently on the Australian stock exchange because of its high borrowings. Both companies have denied the sale rumours.

Meanwhile, the government is expected to announce next month that 49 per cent of Australian Airlines will be sold to one or more foreign airlines, followed by a flotation of the remaining shares.

Australian is pressing for the first sale to take place by the middle of this year, and is thought to have talked to several potential partners, including British Airways, Singapore Airlines, and airlines in the US and Japan.

However, the sale may have to be delayed if all or part of Ansett comes on to the market. Both airlines are valued by analysts at between A$600m and A$1bn.

Industry in a flap: three Ansett aircraft on the tarmac at Melbourne airport

FAI shares fall on fears of flood cost

By Kevin Brown in Sydney

SHARES in FAI Insurances fell to their lowest level for more than five years on the Australian stock exchange yesterday as investors took fright over the potential impact of claims arising from flooding in Queensland.

FAI fell 10 cents to 90 cents, its lowest level since June 1985, as the All Ordinaries index fell on Gulf war fears for the fifth day running. The index closed 4.4 points down at a three-year low of 1232.5.

Brokers said FAI had a historically high exposure in Queensland, the tropical northern state hit by widespread flooding in the trail of a recent cyclone.

FAI warned late last year that it would suffer "substantial" underwriting losses in 1991, but promised "harsh measures" to improve results after a 70 per cent fall in net profits to A$18.2m (US$14.2m).

Westpac Banking Corporation, Australia's largest bank, also slipped to a five-year low of A$3.21 yesterday on worries about its bad debts and fears that it may be unable to maintain dividends.

The two other quoted trading banks are also trading at levels last seen some years ago, for similar reasons. ANZ closed 3 cents higher on the day at A$3.03, its lowest since July 1986, and National Australia Bank closed steady at A$5.16, its lowest since April 1988.

The three quoted banks and the government-owned Commonwealth Bank jointly wrote off more than A$3bn in bad debts for the year to last June, and revealed further problem loans totalling A$11.7bn.

Rand Mines unit cuts expenditure

SOUTH Africa's Witbank Colliery, the coal division of the Rand Mines group, is to reduce its planned capital expenditure during 1991 by R70m ($27m), Reuter reports from Johannesburg.

The company's last annual report, issued in November, showed planned capital spending for this year of R255.5m.

Mr Allen Sealey, chairman, told the company's annual meeting the cut was due to the cancellation or rescheduling of certain capital projects.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 8.05 pm on January 9

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	101	101½		8.33
ALBERTA PROVINCE 9 3/8 95	600	103¼	103½		8.54
AUSTRIA 8 1/2 00	400	97⅞	98¼	+⅛	8.85
BANK OF TOKYO 8 3/8 96	100	97⅞	98	+⅛	9.01
BELGIUM 9 1/8 92	400	101⅛	101⅜	-¼	8.17
BFCE 7 3/4 97	150	96	96¼	+⅛	8.60
BNP 8 5/8 94	300	101	101⅜	+⅛	8.26
BP CAPITAL 9 5/8 93	150	102½	103½	+⅛	8.23
CANADA 9 96	1000	103¼	103½	+⅛	8.22
CARCO 9 1/4 96	650	98½	99	+⅛	9.58
CCCE 9 1/4 95	300	103¼	103½	+⅛	8.31
COUNCIL EUROPE 8 96	100	98	98⅜	+⅛	8.45
CREDIT FONCIER 9 1/2 99	300	103½	103⅞	+⅛	8.87
DENMARK 0 98	250	52⅜	53		8.91
DENMARK 8 1/4 94	150	99¾	100⅛	+⅛	8.31
ECSC 8 1/4 96	193	98⅞	99¼		8.49
EEC 7 1/4 93	250	98⅜	99¼		7.89
EIB 7 3/4 96	250	97⅛	97⅜	+⅛	8.35
EIB 9 1/4 97	300	102⅞	103⅛	+⅛	8.69
ELEC DE FRANCE 9 98	200	101⅝	102	+⅛	8.68
EUROFIMA 9 1/4 96	100	102¼	103¼	+⅛	8.68
EXPORT DEV CORP 9 1/2 98	150	103⅝	104	+⅛	8.80
FINLAND 7 7/8 97	200	95⅛	95⅜	-⅛	8.92
FINNISH EXPORT 9 3/8 95	200	102⅞	103⅜		8.60
FORD MOTOR CREDIT 9 1/2 93	300	101⅛	101⅜		8.95
GEN ELEC CAPITAL 9 3/8 96	300	103	103½		8.64
GMAC 9 1/8 96	200	98⅞	99¼		9.43
HALIFAX 9 1/2 93	200	102¼	102⅝		8.46
IBM WORLD TRADE 7 5/8 93	150	97¾	98½	-⅛	8.53
IND BK JAPAN FIN 7 7/8 97	200	94¾	95¼	+⅛	8.99
INTER AMER DEV 7 5/8 96	200	95⅝	96⅛		8.62
ITALY 8 1/2 94	1500	100⅞	101		8.24
JAPAN DEV BK 8 94	150	99½	100	+⅛	8.15
KANSAI ELEC PWR 10 96	350	104⅞	104⅞	+⅛	8.90
LTCB 8 5/8 93	150	100¼	100⅝	+⅛	8.47
NEW ZEALAND 8 93	100	99⅛	99⅞	+⅛	8.26
NIPPON CRED BK 9 3/4 93	150	102⅞	103¼	+⅛	8.56
NIPPON TEL & TEL 9 3/8 95	200	102⅞	103⅛	+⅛	8.51
NORDIC INV BANK 9 93	200	102	102⅜		8.04
ONTARIO HYDRO 11 5/8 94	200	108⅞	109⅛	+⅛	8.46
OSTER KONTROLLBANK 8 1/8 93	200	100½	100⅞	+⅛	7.84
PETRO-CANADA 7 1/4 96	200	94⅞	95⅛	+⅛	8.59
PRUDENTIAL RLTY SECS 0 99	365.216	48⅞	49⅛		9.41
QUEBEC HYDRO 9 3/4 98	150	102½	103	+⅛	9.27
QUEBEC PROV 9 98	200	99⅞	100½	-⅛	9.01
SAINSBURY 9 1/8 96	150	101⅛	101⅞		8.79
SAS 10 99	200	100⅛	101⅛	+½	9.94
SBAB 9 1/2 95	500	103⅛	103⅜		8.59
STATE BK STH AUST 9 1/4 93	100	101⅞	102⅜	+⅛	8.22
SUMITOMO BK CAP MKT 9 3/8 93	150	102⅛	102⅝	+⅛	8.49
SWEDEN 8 1/8 94	150	98⅞	99⅜	-⅛	8.48
SWEDISH EXPORT 9 5/8 93	100	103⅛	103½	+⅛	7.95
TOKYO METROPOLIS 8 1/4 96	200	98⅞	99⅛	+⅛	8.52
WORLD BANK 8 3/8 99	1500	98⅝	98⅞		8.78
WORLD BANK 8 3/4 97	1500	101½	101⅞		8.61
XEROX CORPN 8 3/8 96	100	95¾	96⅝	+1⅛	9.35

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 8 94	200	96¼	96¾		9.22
AUSTRIA 6 98	400	83½	83¾	-⅛	9.22
CNT 6 1/8 98	200	82⅞	83⅛		9.31
CREDIT FONCIER 6 3/4 99	500	85⅛	86		9.29
DEUTSCHE BK FIN 5 5/8 96	750	86⅛	86⅛		8.91
EEC 5 3/8 93	300	93⅝	93⅞		9.02
EIB 6 1/8 96	300	87⅛	87⅞	+⅛	9.20
EIB 6 7/8 95	300	92⅛	92⅝	+⅛	8.76
EUROFIMA 6 1/4 98	400	85⅛	85⅞		9.05
FELDMUEHLE FINANCE 8 99	200	92¼	92¾		9.31
FERRO DEL STAT 5 3/8 93	500	93⅛	93⅝		9.12
IND BK JAPAN FIN 5 5/8 96	200	84⅛	84⅝	+⅛	9.57
INTER AMER DEV 7 1/4 99	300	88⅜	88⅞	-⅛	9.21
LUFTHANSA INT FIN 5 7/8 98	500	81⅞	81⅞	-⅛	9.41
QUEBEC HYDRO 6 3/4 99	300	86	86¼	+½	9.24
SWEDEN 6 1/8 98	300	85⅛	85⅝		8.88
WORLD BANK 0 15	2000	15⅜	15⅝	+⅛	7.72
WORLD BANK 5 3/4 96	300	86	86¼	-⅛	9.26
WORLD BANK 7 1/8 95	500	93⅛	93⅞	-⅛	9.09

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	81½	83		7.87
AUSTRIA 4 5/8 98	100	85	86		7.42
CHUJITSUYA 7 3/4 95	50	100½	102	-⅛	7.60
COUNCIL EUROPE 4 3/4 98	250	85½	86	+½	7.45
EEC 5 1/2 00	100	86½		+½	7.48
EIB 5 3/4 93	100	96¼	97½	-⅛	7.05
FINLAND 5 3/8 95	150	94	95½		6.88
GENERAL MOTORS 7 1/2 95	100	100¼	101½	-⅛	7.42
JAPAN DEV BK 5 1/2 94	100	96⅛	97		6.79
MOUNT ISA FINANCE 5 3/4 94	100	86½	88	-½	10.76
NEW ZEALAND 4 7/8 99	200	83	83½		7.79
QUEBEC HYDRO 5 08	100	74	75		7.79
SKANDINAVISKA ENSK 6 1/2 95	100	95	96	+½	8.01
WORLD BANK 5 03	150	80	80½	-⅛	7.51
WORLD BANK 7 1/4 92	100	100	100⅛	+⅛	7.20

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	93⅞	94⅛	+⅛	7.07
CANADA 4 3/8 92	80000	96	96¼		7.33
CREDIT FONCIER 5 1/4 94	20000	93⅞	94⅛		7.15
DENMARK 7 95	40000	100	100⅛	+⅛	7.00
EIB 4 5/8 94	40000	92⅞	93⅛	+⅛	7.09
GENERAL ELECTRIC 5 3/4 93	35000	96½	97		7.49
INTER AMER DEV 7 1/4 00	30000	102¼	102⅝	+⅛	6.91
ITALY 5 3/4 92	150000	98⅛	98⅜	+⅛	7.43
KANSAI ELEC PWR 4 5/8 94	60000	92⅛	93	+⅛	7.15
NIPPON TEL & TEL 5 7/8 96	50000	95⅛	96	+⅛	6.79
NORWAY 5 1/8 95	50000	93½	93⅞	+⅛	6.94
SWEDEN 5 5/8 95	20000	94⅛	94⅞		7.09
WORLD BANK 6 3/4 00	50000	99½	99⅞	+⅛	6.82

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
COUNCIL EUROPE 7 94 LFr	600	93⅞	94⅞		9.34
KREDIETCORP 7 93 LFr	1000	93¼	94¼		10.06
WORLD BANK 8 96 LFr	1000	94	95		9.48
AMRO BANK 6 1/4 92 Fl	150	94⅝	95⅜		10.00
RABOBANK 5 3/4 93 Fl	150	92⅛	93		9.92
ALBERTA PROVINCE 10 92 C$	500	98⅛	98½		11.31
BCE INC 9 5/8 93 C$	300	95⅞	96⅛	-⅛	12.71
BELL CANADA 10 5/8 99 C$	150	96⅛	96⅝	+⅛	11.33
BRITISH COLUMBIA 9 1/4 93 C$	150	96⅛	96⅝		11.35
EIB 10 1/8 98 C$	130	96⅞	96⅞	+⅛	10.86
FORD CREDIT CANADA 10 94 C$	100	95½	96	+⅛	11.56
GENERAL ELECT CAP 10 1/4 93 C$	175	98⅞	99¼	+⅛	10.76
MONTREAL TRUSTCO 8 1/2 92 C$	100	95½	96⅛	+½	12.29
ONTARIO HYDRO 10 7/8 99 C$	500	98⅛	98⅝	+⅛	11.22
QUEBEC PROV 10 1/2 98 C$	200	96⅜	96⅞	+⅛	11.21
ROYAL TRUSTCO 10 1/4 93 C$	100	96⅜	96⅞		12.02
SWEDEN 9 3/4 93 C$	250	98⅛	98⅝	+⅛	10.65
AUSTRIA 7 3/8 93 Ecu	125	93⅝	95	+⅛	10.71
CNT 7 3/8 93 Ecu	250	92⅞	94	+⅛	10.77
CREDIT LYONNAIS 9 96 Ecu	125	92⅞	94⅝		10.80
DENMARK 7 5/8 96 Ecu	250	90⅛	90⅞	+⅛	10.11
EEC 7 5/8 94 Ecu	200	93	93⅛		10.34
EIB 10 97 Ecu	1125	99⅛	100	+⅛	10.05
ITALY 10 3/4 00 Ecu	1000	103⅛	103⅝	+⅛	10.15
SWEDEN 7 1/2 93 Ecu	250	91⅛	93⅛	-1	11.29
BMW FINANCE 14 1/2 92 A$	100	101⅛	102⅛	-⅛	12.99
COUNCIL EUROPE 13 93 A$	50	101⅞	102½	-⅛	12.04
EKSPORTFINANS 12 3/8 95 A$	75	99⅞	100⅛	-⅛	12.36
FORD CRED AUST 13 93 A$	50	99⅛	100⅛		13.22
ICI 15 1/2 92 A$	100	102⅝	103	-⅛	13.33
MCDONALDS CANADA 15 93 A$	100	105⅛	105⅜		13.29
NAT AUSTRALIA BANK 14 3/4 94 A$	150	103½	104		13.27
STATE BK NSW 14 1/4 99 A$	100	106⅛	106⅛	-⅛	12.95
VOLKSWAGEN INTL 15 94 A$	100	104⅝	105⅛	-⅛	13.10
ABBEY NATL TREAS 13 3/8 95 £	100	103⅝	104⅛	+⅛	12.18
BARCLAYS JERSEY 9 1/2 93 £	250	94⅝	94⅞	+⅛	12.33
BRITISH GAS 12 3/4 95 £	150	103⅝	104		11.57
DEUTSCHE BK FIN 11 94 £	225	97⅛	98	-⅛	11.92
EIB 10 97 £	300	94⅛	94⅞		11.39
FORD CREDIT FUNDING 9 5/8 93 £	50	93⅝	94⅛	+⅛	12.99
INTER AMER DEV 11 3/8 95 £	75	99½	100	+⅛	11.48
ITALY 10 1/2 14 £	400	91½	91⅞	+⅛	11.55
LAND SECS 9 1/2 07 £	200	78⅛	78⅞	+⅛	12.68
LEEDS PERMANENT 9 1/4 93 £	50	93½	94	-⅛	12.50
NORWAY 10 1/2 94 £	200	97	97⅛	+⅛	11.69
ROLLS-ROYCE 9 5/8 93 £	150	93½	94	-⅛	12.78
SAINSBURY 10 7/8 93 £	100	97⅝	98	+⅛	12.36
SKANDINAVISKA ENSK 13 1/8 95 £	100	103	103½	+⅛	12.13
WORLD BANK 11 1/4 95 £	100	99⅛	99½	-⅛	11.47
ABBEY NATIONAL 0 96 NZ$	100	46½	47½		14.28
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	99⅝	100⅜		13.33
AIDC 7 7/8 93 FFr	600	93½	93⅞	+⅛	10.72
CREDIT LYONNAIS 10 95 FFr	2000	98⅛	98⅞	+⅛	10.44
EURATOM 7 5/8 98 FFr	500	86⅛	86⅞	-⅛	10.31

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ABBEY NATIONAL 1/16 00 £	150	99.72	99.89	13.9375
ALBERTA PROVINCE 1/32 93	500	99.82	99.92	7.5938
ALLIANCE & LEICS 0.08 94 £	300	99.20	99.26	13.9550
BANCO ROMA 0.03 01	300	91.92	92.92	7.9563
BANCO SANTO SPIRITO 93	200	99.53	99.63	8.4375
BELGIUM 1/16 97 DM	500	99.95	100.05	8.8125
BFCE -0.02 96	350	99.77	99.87	7.7925
BNP 05	300	97.00	97.50	7.8750
BRITANNIA 1/10 96 £	150	99.26	99.31	13.9750
CCCE 06 ECU	200	99.92	100.02	10.0000
CITIZENS FED 0 15 96	100	99.25	99.63	8.2125
COMMERZBK O/S FIN 93	200	99.62	99.72	7.9375
DENMARK -1/8 96	1000	98.95	99.05	8.0000
ELEC DE FRANCE 1/8 99	400	100.07	100.38	8.3750
FERRO DEL STAT 94	200	100.11	100.21	8.2500
HALIFAX 1/10 94 £	200	99.41	99.46	13.9750
HILL SAMUEL 1/4 PERP	75	86.00	88.50	8.5000
MITSUI FIN ASIA 1/8 96	100	98.91	99.09	8.1875
MORGAN (JP) 1/4 97	250	97.88	98.63	8.4375
NAT WEST FIN 3/16 05	400	92.00	93.00	8.3125
NEW ZEALAND 93	500	99.46	99.58	8.0625
QUEBEC PROV 01	300	97.01	97.17	8.1250
RENFE 98	500	99.72	99.83	7.8750
SOCIETE GENERALE 96	300	98.71	98.81	8.0000
STATE BK VICTORIA 0.05 99	125	97.80	98.05	8.4375
UNITED KINGDOM -1/8 96	4000	100.04	100.10	7.9375

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	2.95	105¾	106¼	+27.70
ASDA-MFI 4 3/4 02 £	100	1.64	110½	111½	+53.58
BURTON GROUP 4 3/4 01 £	110	3.15	106	107⅝	
EASTMAN KODAK 6 3/8 01	300	50.67	94	95	+20.20
GOLD KALGOORLIE 7 1/2 00	65	1.0554	64½	65½	+28.56
GOODYEAR TIRE 6 7/8 03	150	80¼	56½	57¼	
GRACE (WR) 6 1/4 02	150	42⅛	75	76	+28.95
GRAND MET 6 1/4 02 £	100	6.58	103½	104½	+1.34
HAWLEY 6 02 PREF	400	1.91	90⅝	92⅜	+42.16
HILLSDOWN 4 1/2 02 £	150	4.16	103⅞	104⅞	+79.62
INTL PAPER 5 3/4 02	200	68½	90⅛	91⅛	+17.87
LAND SECS 6 3/4 02 £	84	6.72	84⅛	85⅛	+11.45
MITSUBISHI BK 1 3/4 02	300	2727.1	84	86	-4.04
OGDEN 6 02	85	39.077	66	67	+35.74
PACIFIC DUNLOP 6 3/4 97	75	3.749	101⅛	102⅛	+2.84
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	80	81	+73.90
THORN EMI 5 3/4 04 £	103	7.45	103⅞	104⅞	+14.54

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. *Chg. day* = *Change on day.*

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month § above mean rate) for US dollars. C cpn = The current coupon.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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INTERNATIONAL CAPITAL MARKETS

Treasuries fall as hopes fade of Gulf peace deal

By Karen Zagor in New York and Simon London in London

A US bond market rally gave way to widespread selling yesterday afternoon as hopes of a peaceful end to the Gulf crisis died after US secretary of state James Baker said Iraqi showed no flexibility in withdrawing from Kuwait.

At midday, the Treasury's benchmark 30-year bond was ½ lower at 103⅝, yielding 8.41 per cent, after jumping about 1½ point earlier in the day amid optimism that the Baker-Aziz talks would yield a breakthrough in the Gulf crisis.

Shorter-dated maturities were unchanged to ⅛ higher.

The bond market is so preoccupied with the Middle East at present that important economic developments, such as the vexations in the US banking industry and signs that the Federal Reserve has eased monetary policy have been almost ignored.

The Federal Reserve arranged a round of overnight matched sale-purchase agreements when Fed funds, the rate at which banks lend to each other, were trading at 5½ per cent.

Although it is widely believed that the Fed has cut its perceived target for the funds to 6.75 per cent from 7 per cent, the Fed's open market operations yesterday were ambiguous since the size of the draining move was not known.

A large drain would indicate monetary policy is unchanged. Economists expect the perceived target for Fed funds to drop to 6 per cent this year.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	103-09	+02/32	11.29	11.57	11.19
		9.000	03/00	92-17	+22/32	10.45	10.79	10.56
		9.000	10/08	91-10	+29/32	10.05	10.33	10.20
US TREASURY *		8.500	11/00	102-31	+24/32	8.05	8.00	7.98
		8.750	08/20	105-10	+24/32	8.27	8.18	8.14
JAPAN	No 119	4.800	06/99	86.8385	+0.521	6.89	7.02	7.16
	No 129	6.400	03/00	96.7423	+0.368	6.62	6.97	6.86
GERMANY		9.000	10/00	100.6500	+0.580	8.89	9.03	8.78
FRANCE	BTAN	9.000	11/95	95.8128	+0.429	10.17	10.25	10.13
	OAT	8.500	03/00	91.8800	+0.800	9.87	9.96	9.92
CANADA *		10.500	03/01	102.2000	+0.825	10.14	10.17	10.21
NETHERLANDS		9.250	11/00	100.2800	+0.290	9.20	9.22	9.03
AUSTRALIA		13.000	07/00	104.6663	+0.455	12.16	12.04	11.89
BELGIUM		10.000	08/00	100.6000	+0.450	9.88	9.75	9.87

London closing, *denotes New York morning session
Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

The Bundesbank allotted DM27bn of stock at its regular repurchase operation yesterday, replacing the DM30.8bn allotted last time. The net drain of DM3.8bn from an already tight money market was interpreted as a sign that interest rates may soon have to rise.

The liquidity squeeze has already pushed call money interest rates above the fixed 8.5 per cent Lombard rate. As a consequence banks borrowed DM14bn at the Lombard rate yesterday to meet short-term funding requirements. The Lombard rate is meant to be set at a punitive level and used only for emergency funding requirements.

Similar pressures in October and November last year caused the Bundesbank to raise the Lombard rate by 50 basis points to 8.5 per cent.

Analysts suggest that the bank will now have to either raise the Lombard rate once again to re-establish it as an emergency funding rate or switch to a floating Lombard rate.

However, the former option would almost certainly precipitate a rise in the German discount rate, which the authorities may want to avoid until the Gulf crisis is resolved.

The latter option would reduce the importance of repurchase operations and devolve power to the market in determining leading interest rates. This is widely seen as against Bundesbank instincts.

■UK GOVERNMENT bonds also advanced on Gulf hopes. Gains were reflected across all maturities in volatile trading. The benchmark 11¾ per cent gilt maturing 2003/2007 rose ½ on the day to close at 108⅝, for a yield of 10.48 per cent. In the futures market, the March gilt futures contract closed at 90.18, against 89.18 on Tuesday.

■JAPANESE government bonds continued to trend lower overnight in Tokyo but staged a recovery during London trading. The benchmark government bond issue No 119 closed the Tokyo day on a yield of 7 per cent, against 6.98 per cent on Tuesday.

However, in London trading the yield fell to a low of 6.84 per cent as hopes gathered of a peaceful resolution to the Gulf crisis. Towards the close of London trading the 119 was yielding 6.88 per cent.

Elsewhere, the monetary authorities chose to reopen the issue No 131 for the month's regular auction of government stock.

The paper carries a 6.6 per cent coupon and Y600bn of stock is being auctioned. The results of the auction and the auction price will be revealed today.

● Daiwa Securities plans to open a representative office in Mexico this year. It would be the first leading Japanese firm to penetrate the Mexican market. Nomura Securities also has plans to open a Mexican office.

GOVERNMENT BONDS

■GERMAN government bonds were lifted by the progress of Gulf peace talks in Geneva, although closer to home the Bundesbank's latest money market repurchase operations have fuelled speculation about an imminent change in monetary policy.

The latest 10-year, 9 per cent bund closed at 100.70 for a yield of 8.88 per cent, against 8.97 per cent on Tuesday.

On the futures market, the March bund futures contract closed at 82.69, against 82.11 on Tuesday.

French local government loans to be securitised

By Tracy Corrigan

CAISSE Des Dépots et Consignations, the French financial institution, is preparing to launch the first French securitisation of loans to local authorities.

The FFr900m issue is channelled through a "fonds commun de créances" (debt mutual fund) called Regions de France No. 1. The assets in the fund include 17 loans to 14 local authorities, maturing in 10 to 20 years. All were originated by Caisse de Dépots.

The deal has already been authorised by the French authorities, and assigned a Triple-A rating by Moody's Investor Services, but lead manager CDC is waiting for a stable market to launch the deal, probably next week.

Often, banks repackage their assets for sale as bonds – the process known as securitisation – in order to remove these assets from their balance sheet, so that their capital adequacy position improves. However, Caisse des Dépots does not need to bolster its capital, according to an official, but wanted to remove these particular loans from its balance sheet for technical reasons.

The issue will be divided into five tranches, three of which will be publicly offered in the French market, though some international placement is anticipated.

These three fixed-rate tranches will have maturities of four, eight and 13 years respectively. A fourth tranche will be used for liquidity management purposes, and a fifth tranche of subordinated notes will be held by CDC.

Accountants in German move

PRICE Waterhouse (PW), one of the world's largest accountancy and consultancy firms, is expanding its operations in Germany via the acquisition of a large stake in Frielingsdorf & Mecklenburg & Partner, a Düsseldorf-based accounting firm. PW is also buying Alpha Consulting, a consultancy firm in Düsseldorf, writes David Waller.

HK futures exchange set to grow

By John Elliott in Hong Kong

THE Hong Kong Futures Exchange has set two main tasks for Mr Gary Knight, the 47-year old US options specialist from Chicago, who has this week been appointed chief executive of the exchange on a two-to-three year contract with an annual salary package believed to be worth around US$300,000.

The first is to build up the volume and profits of the moribund exchange, which has so far failed to recover from its four-day closure in the 1987 world stock markets crash and subsequent government rescue.

The second is to identify and groom an ethnic Chinese to become chief executive in two or three years' time and who would then steer the exchange towards Hong Kong's return to Chinese sovereignty in 1997.

Mr Knight replaces Mr Douglas Ford, a 46-year old Canadian from Winnipeg, who left Hong Kong last June when his two-year contract was not renewed.

Mr Ford introduced wide-ranging structural and operational reforms including guarantee and clearing corporations, but failed to expand the exchange's business.

"First we must build up a local market by making people here recognise the changes introduced since 1987, and then we must make sure that regional and international players are also aware that we have a viable exchange here," Mr Knight said yesterday.

Local bankers and brokers however do not expect rapid progress, even if market activity picks up.

The boosting of the exchange is also no longer a top local priority, now that Hong Kong has managed to rebuild its poor 1987 image as a regional financial market.

An interbank offered rate contract called Hibor was launched nearly a year ago but there are less than 50 contracts a day, compared with a target of 2,000 to 5,000. Trading volume did not build up fast enough last year to generate rapid expansion.

The exchange's main product – futures on the local stock exchange's Hang Seng index – is attracting only about 1,000 contracts a day, compared with 30,000 to 40,000 before 1987. There is also only limited trading in soya beans, sugar and gold.

New products which Mr Knight is to consider introducing include currencies, Hang Seng sub-indices such as the extremely active property area, and options on these and other products.

Mr Knight was executive vice president of the Chicago Board Options Exchange and president of its futures subsidiary, Inter-Market Clearing Corporation, from 1984 to 1988. For the past two years he has been president and chief executive officer of the North American subsidiary of Pont Data, an international financial information business.

The New Zealand Futures and Options Exchange had a record trading year in 1990 despite the depressed NZ financial markets and economy, writes Dai Hayward in Wellington.

Last year, a total of 638,811 lots, with a value of NZ$165bn, were traded, compared to 525,382 lots, valued at NZ$90bn in 1989. Contracts on 90-day bank bills more than doubled to account for 44 per cent of all trades. Trading in five-year government bonds represented 48 per cent of total volume.

The Exchange is now undergoing a major restructuring to separate the role of shareholders and users of the market. Following this, the Exchange will operate as a company, and is now seeking offers from potential buyers. At present, there are 17 shareholders all of whom are Exchange members.

No price has been put on the potential value of the Exchange as a company.

Merrill Lynch uses selling group structure

by Tracy Corrigan and Stephen Fidler

THE international bond market spluttered into life yesterday, despite the preoccupation of investors with the talks between Iraq and the US. But most potential issuers are waiting in the wings until the January 15 deadline for Iraq's withdrawal from Kuwait.

Merrill Lynch found a way to circumvent the unwillingness of some banks to underwrite debt ahead of a potential Gulf war. It invited banks to join a selling group rather than an underwriting group. Merrill itself assumed the full underwriting risk for the $150m two-year deal for Finnish Export Credit (FEK), while participating banks indicated the amount of bonds they were able to sell. Around $70m of bonds are to be distributed by the selling group of six banks.

Although the selling group structure simplifies the process, because participants are not burdened with more bonds than they can sell, the difference, in practice, between underwriting and selling is not significant, since underwriting amounts to an undertaking to sell a given number of bonds.

The proceeds of the issue are unswapped, suggesting that FEK found the all-in cost of the funds attractive.

Investors are still thin on the ground, but short-dated assets are likely to meet slightly better demand as the short end of the yield curve is generally less vulnerable to price fluctuations.

Floating rate notes, because they are reset every six months, are even more risk averse, which helped improve sentiment for a floating rate note issue for Lufthansa, the airline 51 per cent owned by the German government. Lead managed by Deutsche Bank, the issue originally comprised DM500m of seven-year notes at a spread of ⅛ point over six-month London interbank offered rates.

As a result of the good reception, the issue could have been increased but the borrower said it had no more capacity for 1998 money. As a result, DM300m of 10-year notes were launched at the same spread.

A more optimistic mood as the talks went on allowed that tranche to be increased to DM500m.

While the spread on the floaters is currently competitive with bank finance, the company launched DM1.2bn of 10-year floating rate notes last March at Libor flat. This reflects the increase in borrowing costs seen even by the highest-rated borrowers.

According to Deutsche Bank, the seven-year paper was trading at 99.80-85 and the 10-year at 99.70-74. Fees – including the 10 basis point listing fee – totalled 30 basis points.

No specific war risk protection was added to the legal documentation of either deal, but both will be covered by the force majeure clauses, according to the lead managers.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Finnish Export Credit(a)◆	150	7⅝	100.725	1993	1⅛/⅛	Merrill Lynch Int.
D-MARKS						
Lufthansa Int.Fin.(b)†◆	500	(b)	100	1998	20/10bp	Deutsche Bk
Lufthansa Int.Fin.(b)†◆	500	(b)	100	2001	20/10bp	Deutsche Bk
SWISS FRANCS						
Showa Leasing Co.(a)★★◆	50	8⅜	99¾	1996	1½	HandelsBank NatWest

★★Private placement. §Convertible. ‡With equity warrants. †Floating rate note. ◆Final terms. a) Non-callable. b) Coupon pays ⅛% over 6-month Libor. Non-callable.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section. Wednesday January 9 1991.

	Equity groups & sub-sections	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1991 to date	Tue Jan 8 Index No.	Mon Jan 7 Index No.	Fri Jan 4 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (188)	710.63	+1.4	14.94	6.69	8.16	0.00	700.97	705.45	709.96	948.37
2	Building Materials (25)	967.74	+1.0	14.88	6.31	8.28	0.00	958.54	966.29	969.60	1167.56
3	Contracting, Construction (31)	1089.94	+0.2	16.89	7.22	7.69	0.00	1087.38	1100.19	1111.51	1603.96
4	Electricals (10)	1895.15	+0.9	14.83	7.04	8.25	0.00	1879.05	1884.90	1902.98	2699.23
5	Electronics (26)	1524.99	+1.1	10.50	5.64	12.69	0.00	1508.84	1511.23	1520.59	2024.21
6	Engineering-Aerospace (8)	400.67	+1.4	16.76	6.09	7.15	0.00	394.96	396.05	397.24	486.37
7	Engineering-General (47)	361.69	+0.5	16.16	7.09	7.47	0.00	359.75	360.91	362.72	501.14
8	Metals and Metal Forming (8)	400.26	+1.2	22.82	8.60	5.41	0.00	395.35	398.25	399.53	497.52
9	Motors (13)	287.71	+2.5	17.34	8.36	6.72	0.00	280.63	284.06	288.40	397.67
10	Other Industrial Materials (20)	1228.21	+2.6	13.68	6.61	8.45	0.00	1197.55	1206.83	1215.75	1738.61
21	CONSUMER GROUP (181)	1224.58	+1.3	10.00	4.26	12.40	0.00	1209.09	1213.90	1219.20	1343.13
22	Brewers and Distillers (22)	1604.57	+1.7	10.15	3.88	12.13	0.00	1577.83	1579.32	1591.30	1566.47
25	Food Manufacturing (20)	1042.98	+1.3	11.07	4.76	11.15	0.00	1029.53	1033.49	1035.62	1160.25
26	Food Retailing (16)	2286.32	+0.4	9.69	3.29	13.47	0.00	2277.00	2285.98	2293.39	2316.37
27	Health and Household (20)	2493.07	+1.0	7.23	3.06	16.41	0.00	2468.36	2488.96	2496.85	2723.16
29	Hotels and Leisure (22)	1185.95	+1.1	11.75	5.74	10.03	0.00	1173.37	1187.71	1204.52	1699.41
30	Media (25)	1221.78	+1.2	12.26	5.56	10.26	0.00	1207.51	1212.80	1215.65	0.00
31	Packaging & Paper (11)	517.66	+1.0	10.25	6.63	11.98	0.00	512.77	517.40	516.89	596.02
34	Stores (34)	798.21	+2.1	10.70	4.58	12.18	0.00	781.95	779.37	780.94	828.00
35	Textiles (11)	407.75	+0.4	14.24	8.62	9.01	0.00	406.29	405.73	406.15	542.74
40	OTHER GROUPS (111)	998.24	+1.6	12.83	5.99	9.42	0.00	982.87	987.71	997.35	1219.13
41	Business Services (12)	1004.01	+1.3	12.47	5.36	9.54	0.00	990.75	996.35	1001.87	0.00
42	Chemicals (22)	1038.31	+1.1	13.57	6.82	8.70	0.00	1027.40	1038.06	1036.70	1286.55
43	Conglomerates (11)	1250.50	+2.3	13.81	8.15	8.60	0.00	1221.85	1230.94	1239.12	1697.68
44	Transport (15)	1879.24	+1.1	13.79	5.41	8.96	0.00	1859.67	1867.33	1887.62	2401.25
45	Electricity (12)	1005.35	+0.9	12.26	7.00	9.84	0.00	996.33	994.96	1000.79	0.00
46	Telephone Networks (3)	1137.80	+1.7	11.76	4.44	11.06	0.00	1119.30	1120.69	1143.55	1244.88
47	Water (10)	2200.60	+0.7	14.24	6.37	7.93	0.00	2184.90	2193.18	2192.83	1963.34
48	Miscellaneous (26)	1570.96	+2.3	12.13	5.82	9.60	0.00	1535.58	1547.48	1566.10	1971.79
49	INDUSTRIAL GROUP (480)	1029.15	+1.4	11.92	5.31	10.28	0.00	1015.04	1019.89	1026.49	1221.69
51	Oil & Gas (20)	2239.25	-0.6	9.99	5.70	13.07	0.00	2251.90	2267.04	2249.48	2368.06
59	500 SHARE INDEX (500)	1129.14	+1.1	11.64	5.36	10.61	0.00	1116.84	1122.50	1127.40	1318.20
61	FINANCIAL GROUP (98)	701.24	+1.7	–	6.79	–	0.00	689.20	697.84	706.06	855.52
62	Banks (9)	746.05	+2.4	21.58	7.76	6.07	0.00	728.82	739.17	754.40	890.58
65	Insurance (Life) (7)	1266.60	+1.9	–	6.06	–	0.00	1243.13	1259.94	1250.45	1428.05
66	Insurance (Composite) (6)	608.14	+2.3	–	7.03	–	0.00	594.46	601.95	609.52	719.68
67	Insurance (Brokers) (8)	988.06	+0.1	7.45	6.52	17.57	0.00	986.73	993.19	994.30	1151.06
68	Merchant Banks (7)	346.29	-0.3	5.63	5.93	23.70	0.00	347.46	352.16	352.90	497.82
69	Property (41)	942.72	+1.0	7.22	5.00	18.82	0.00	933.58	943.51	956.14	1231.95
70	Other Financial (20)	248.81	+0.3	10.97	7.27	11.51	0.00	248.14	250.14	250.19	348.59
71	Investment Trusts (69)	983.96	+1.1	–	4.14	–	0.00	973.69	980.46	987.68	1299.32
99	ALL-SHARE INDEX (667)	1023.43	+1.2	–	5.53	–	0.00	1011.39	1017.62	1023.21	1207.72

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jan 8	Jan 7	Jan 4	Jan 3	Jan 2	Year ago
FT-SE 100 SHARE INDEX‡	2128.9	+29.0	2130.9	2099.8	2099.9	2113.3	2126.1	2117.8	2128.3	2412.6

FIXED INTEREST

	PRICE INDICES	Wed Jan 9	Day's change %	Tue Jan 8	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (28)	119.41	+0.02	119.38	1.89	0.00
2	5-15 years (32)	129.32	+0.52	128.65	2.56	0.00
3	Over 15 years (8)	136.70	+0.89	135.50	2.25	0.00
4	Irredeemables (6)	149.58	+0.35	149.06	1.60	0.00
5	All stocks (74)	128.42	+0.38	127.93	2.32	0.00
	Index-Linked					
6	Up to 5 years (2)	157.92	+0.13	157.72	0.80	0.00
7	Over 5 years (10)	144.28	-0.02	144.31	0.82	0.00
8	All stocks (12)	145.19	-0.01	145.20	0.81	0.00
9	Debs & Loans (54)	104.28	-0.02	104.30	2.26	0.00

	AVERAGE GROSS REDEMPTION YIELDS		Wed Jan 9	Tue Jan 8	Year ago (approx.)
	British Government				
1	Low	5 years	9.91	9.99	10.33
2	Coupons	15 years	9.94	10.04	9.86
3	(0%-7¾%)	25 years	9.96	10.08	9.83
4	Medium	5 years	10.81	10.84	11.35
5	Coupons	15 years	10.32	10.43	10.32
6	(8%-10¾%)	25 years	10.16	10.26	9.95
7	High	5 years	10.93	10.96	11.49
8	Coupons	15 years	10.51	10.62	10.49
9	(11%-)	25 years	10.30	10.43	10.07
10	Irredeemables	†	10.24	10.27	9.88
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.93	3.99	3.87
12	Inflation rate 5%	Over 5 yrs.	4.17	4.16	3.66
13	Inflation rate 10%	Up to 5 yrs.	2.66	2.70	3.01
14	Inflation rate 10%	Over 5 yrs.	3.99	3.99	3.50
15	Debs &	5 years	12.63	12.63	13.66
16	Loans	15 years	12.37	12.37	12.42
17		25 years	12.14	12.13	12.14

‡Opening index 2099.8; 9 am 2110.5; 10 am 2108.8; 11 am 2108.4; Noon 2110.8; 1 pm 2115.4; 2 pm 2122.8; 2.30 pm 2125.4; 3 pm 2129.9; 4.10 pm 2128.1; (a) 3.10pm (b) 8.30am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE includes details of the information used in the construction of these indices. These are available by subscription from FINSTAT, 071-925 2323.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	49	20	17
Corporations, Dominion and Foreign Bonds	5	0	16
Industrials	386	249	930
Financial and Properties	215	92	439
Oils	19	27	47
Plantations	1	2	7
Mines	22	51	90
Others	64	48	53
Totals	761	489	1,599

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

● First Dealings Jan. 7
● Last Dealings Jan. 18
● Last Declarations Apr. 11
● For settlement Apr. 22

For rate indications see end of London Share Service

Calls: Anglia Sec. Homes, Aviva, Cowie (T.), Next, Hanson, Lovell (Y.J.), Norex. Put: Lex Service.

LONDON TRADED OPTIONS

HOPES for a peaceful settlement to the Gulf crisis gave a strong boost to equity futures, which led the stock market higher. In traded options, active dealing in STC and BP produced the busiest session so far this year.

The March FT-SE futures contract opened strongly and rallied strongly after the White House said that talks between US and Iraqi foreign ministers in Switzerland could be "substantive," which raised expectations of a peaceful settlement.

At one stage, March was trading at almost 55 points above the cash index, which encouraged some investors to take advantage of this discrepancy between the two markets by selling futures and buying shares.

After this boost, the futures market settled down to trade in a narrow range, awaiting further news from Geneva. By the time the market closed, the talks were still in progress.

March FT-SE closed at 2,181, up 43 points on the day. The premium of March over the cash index finished at 53 points, compared with 38 in the previous session and broker's 35-point estimate of fair value.

STC was the significant feature of the traded options market as 7,100 contracts changed hands, equivalent to 7.1m shares, as Northern Telecom's bid for the company became unconditional. The April 300 puts were particularly active, trading 3,750 lots.

The fall in the oil price as peace hopes rose prompted active dealing in BP. The day's 4,880 turnover was evenly divided between calls and puts with the April 330 puts the most active. Among other busier options, Racal traded 1,483; Boots 1,105; and British Airways 1,024. In the FT-SE index options, 10,260 lots changed hands, with activity weighted towards puts. January 2,150 puts were the most widely traded series on 1,228 contracts.

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allied Lyons (*489)	460	36	57	66	3½	13	20
	500	9	33	42	17	29	32
	550	1½	13	–	62	63	–
ASDA (*124)	110	16	20	24	1	4½	6
	120	7	13	18	3	8½	10
	130	2	8	13	9	13	15
Brit. Airways (*148)	130	21	27	29	1½	4	7
	140	11	19	21	3	8	11
	160	3	8½	11	14	16	21
Unilever (*683)	650	38	61	77	4	17	24
	700	8	32	50	27	42	47
Ultramar (*322)	300	28	37	49	4	11	15
	330	8	20	30	14	23	28

Option		Calls Jan	Calls Mar	Calls May	Puts Jan	Puts Mar	Puts May
Elec. Pkg. (*£1480)	1450	65	120	140	40	60	95
	1500	40	95	110	60	80	110
Eastern Elec (*139)	130	11	16	20	3	4	6
	140	4	9	14	6	9	11

[illegible]

UK COMPANY NEWS

Financial effects of buying Gateway still being felt

Asda falls to £60.8m as interest bill takes toll

By John Thornhill

ASDA, the supermarket chain, is still suffering from the financial effects of buying 60 Gateway stores for £705m in October 1989.

The company announced yesterday that interim pre-tax profits fell by 27 per cent as a result of substantially higher interest payments – resulting from the debt taken on to finance the purchase of the Gateway stores – and weak trading in its home furnishings businesses.

In the 28 weeks to November 10, taxable profits declined from £83.5m to £60.8m, much in line with what analysts had been expecting.

Mr John Hardman, chairman, said that when Asda took over the Gateway stores they were performing at only about 60 per cent of their potential.

But the company has been improving their performance and spent £14m revamping 20 stores in the half year. By the autumn a further 31 stores will have been refitted.

"The whole key to the Gateway investment is closing that performance gap which will generate a very high level of organic growth," Mr Hardman said.

At the operating level, Asda's profits were strongly ahead at £107m (£81.8m) on turnover up 42 per cent at £2.25bn.

The former Gateway stores contributed fully for the first time making £28m (£3.2m) of Asda Stores' operating profits of £100.9m (£76.3m).

But the interest bill for the period amounted to £42m (£4.5m receivable) even though Asda capitalised interest of £16.3m (£18.7m).

Asda's furnishings businesses also eroded group profits as Allied Marples reported an operating loss of £3.2m (£3.8m profit) and Asda's 25 per cent share of MFI resulted in a charge of £4.2m (£2.8m loss).

Gazeley, the property arm, increased its contribution to £9.3m (£5.2m).

With net debt of £900m at the end of the period, gearing stood at 76 per cent.

But Mr Hardman said this would be slowly reduced. "We will start unwinding our capital expenditure programme as we come through this year and we are fully confident that by the end of 1992 we will have our gearing in a highly satisfactory position," he said.

Earnings per share fell from 4.76p to 3.52p although the interim dividend is held at 1.85p.

● MFI Furniture Group, formed through a £718m leveraged buy-out from Asda, reported a pre-tax loss of £16.9m in the six months to November 10 compared with £8.8m. Operating profits rose by 5 per cent to £20.6m on turnover up by a similar percentage to £320m. But interest payments climbed to £34.9m (£30.1m).

See Lex

Further delay likely for BCMB sale

By John Murray Brown in Ankara

A FURTHER delay is expected in the sale of British and Commonwealth Merchant Bank, after the Bank of England asked Çukurova, the Turkish banking and industrial group bidding for BCMB, to present consolidated accounts for 1990.

BCMB was put into administration after the collapse of the British and Commonwealth financial services group in June 1989.

No date has yet been set for signing the agreement, but after negotiations last week between Çukurova and administrators Ernst & Young, a draft agreement is expected to be ready in the next 10 days.

A price has now been agreed, believed to be about £25m, lower than the original bid of between £40m and £50m. A close inspection of the BCMB loan book, in particular its exposure to UK local authority swaps, is thought to have led to the lower price.

Çukurova has asked Morgan Grenfell, the merchant bank, to arrange a £150m standby loan to enable the new owners to pay off BCMB depositors, currently prevented from withdrawing their deposits because of the administration order.

The Bank of England is to seek assurance from the Turkish regulatory authorities, with a final sale agreement not expected before next month.

It is also understood to have sought assurances from Çukurova that it does not intend to use BCMB to fund its Turkish operations, or expose the bank to Turkish loan business.

Despite the current recession, sales volumes are holding up well

Electricity companies on course for targets

By Juliet Sychrava

THREE OF the 12 regional electricity companies privatised last month yesterday announced profits for the six months to September 30 1990.

There were no surprises: all 12 companies had five months of trading figures when they published full-year forecasts at privatisation, and all yesterday's three are on course to meet their targets.

Also, in spite of the recession, all three said that sales volumes were holding up well.

● Northern Electric may even do slightly better than had been expected. The company reported pre-tax profits of £35m on an historical cost basis. This represents 47.9 per cent of its pre-tax forecast of £73.1m for the full year. On a current cost basis, pre-tax profits were £18m. Turnover totalled £359.9m.

Post-tax profits were £25.4m on an historical, and £8.4m on a current cost, basis.

"We are doing a touch better than expected," said Mr David Morris, chairman. "There has been a little more growth than anticipated, in both the commercial and domestic sectors."

Industrial sales, he said, had suffered somewhat from the loss of customers in the new competitive market, but distribution volumes were holding up reasonably well. Mr Morris said he was confident of meeting the full-year forecasts.

On a pro-forma basis, where results are calculated as if a company's new post-privatisation capital structure and taxation liability had been in place for the full six months, Northern reported an historical cost post-tax profit of £18m, 42.6 per cent of the £42.2m anticipated for the full year. This gave pro-forma earnings per share of 14.6p on an historical cost basis, and 3p on a current cost basis. In its flotation prospectus, Northern forecast a single dividend for the year of 11.38p.

Because Northern has a high proportion of industrial customers, its sales volumes are fairly consistent through the year, although the higher value domestic sales which increase in the winter mean the company still expects a little more than 50 per cent of its income in the second half.

The demand for new connections in the Northern region, Mr Morris said, was encouraging. "We are not in a recession as far as that is concerned."

● East Midlands Electricity announced historical cost pre-tax profits of £14.8m, compared with a forecast for the full year of £88.9m. On a current cost basis, the company made a £2.6m loss before tax, compared with profit of £50.3m forecast for the year. Turnover amounted to £561.1m.

Post-tax profit was £11.7m on an historical cost basis, compared with a £5.7m current cost loss. East Midlands reported pro-forma earnings per share of 2.8p on an historical cost basis, and current cost losses of 4.4p per share.

"Most regional companies expect to make a small profit or small loss on an historical cost basis at the interim stage, and we would expect a small profit," said Mr John Harris, chairman, who added that, in the absence of unforeseen circumstances, the directors would recommend a single final dividend of 10.55p.

Because East Midlands has a significant proportion of weather-sensitive domestic customers, it expects to make about 60 per cent of its sales in the second half. Because costs are largely fixed, the margin on sales will be higher, and the growth will come primarily from the high-value domestic market, profit can be expected to be significantly higher over this period.

"We will have lower volume growth this year," said Mr Harris, "but we took that into account in our forecasts. We expect about 1 to 2 per cent next year, unless the recession really deepens."

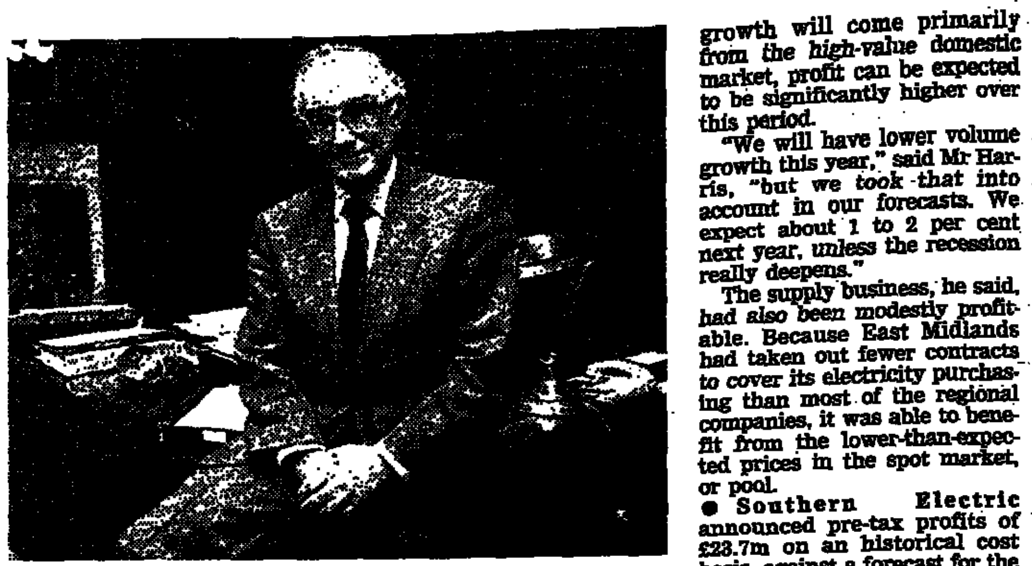
The supply business, he said, had also been modestly profitable. Because East Midlands had taken out fewer contracts to cover its electricity purchasing than most of the regional companies, it was able to benefit from the lower-than-expected prices in the spot market, or pool.

● Southern Electric announced pre-tax profits of £23.7m on an historical cost basis, against a forecast for the full year of £122.7m. On a current cost basis, the company, which is chaired by Mr Duncan Ross, made a pre-tax loss of £2.2m. This was, he said, in line with its expectations.

Historical cost post-tax profits were £11.7m, compared with a current cost loss of £7.1m. On a pro-forma basis, losses per share on a current cost basis were 6.3p. The company reaffirmed its commitment to pay a 10.12p dividend at the end of the year.

Like East Midlands, Southern expects about 60 per cent of its sales volume and a larger percentage of its profits in the second half of the year.

"We are predominantly a domestic board, and we get more domestic units in the winter," said Mr John Deane, finance director. However, he pointed out, more economy units are also sold over that period, bringing the overall value of sales down.



Trevor Humphries

Duncan Ross: Most sales and profits in the second half

Fresh recipe helps scoop up ice-cream dream

By Clay Harris, Consumer Industries Editor

MR HENRY Clarke's ice-cream dreams moved closer to reality yesterday, but the recipe has changed a bit on the way.

Hillsdown Holdings, the diversified food group, is now to sell its ice-cream business, one of Britain's largest after industry leaders Wall's and Lyons Maid, outright to Mr Clarke's Yelverton Investments for about £6m.

The joint venture envisaged when the deal was announced in August was abandoned because of Stock Exchange objections.

On completion, Mr Clarke, an American who promoted the Klondike bar into the best-selling US novelty ice-cream, will take control of a business comprising three plants in the West Midlands and the Hortons, Fiesta and Lewis Bros brands.

As part of the all-paper transaction, Hillsdown will take a 16.75 per cent equity stake in Yelverton, at present an investment company.

Yelverton's USM-traded shares were suspended at 39p yesterday, pending publication of a detailed circular and approval by shareholders.

Yelverton is to change its name to Clarke Foods and become the only pure player in ice-cream on the stock market.

The Clarke family's 39 per cent stake in Yelverton will be diluted to 33 per cent by the issue to Hillsdown, which said it viewed its shareholding as a "long-term association".

Hillsdown will not receive any cash immediately, the balance of the consideration coming in £5.48m of 6 per cent and 9 per cent preference shares.

The new owner will also assume about £3.5m of debt.

Mr Clarke said yesterday that two of his sons, who will help to manage the business, were attending a 10-day university course on ice-cream production. "They give a prize for the best vanilla and I told both of them that they shouldn't come back unless they won it."

Summer shares suspended at 15p

Summer International, the training and educational services group, yesterday asked the Stock Exchange to suspend dealings in its shares, pending clarification of the company's financial position. The shares were suspended at 15p. The company said that payment on January 31 of the preference dividend would be deferred, writes Michiyo Nakamoto.

Summer said it was in discussion with its bankers to secure the refinancing of the company.

Officials at Summer were not available for comment yesterday. Last November the company issued a statement in which it said that current trading was "satisfactory in comparison with the previous year".

Profits in the six months to March 1990 were sharply lower at £62,000 (£1.01m).

In July 1989, Summer sold Linguarama to BPP Holdings. It has already received more than £10m from BPP but how much more it can secure from the sale depends on Linguarama's 1990 results.

Pilkington to sell insulation offshoots

PILKINGTON, the glass group, is selling two insulation installation subsidiaries to G&H Montage, a leading German insulation contracting company writes Maggie Urry.

The sale for an undisclosed sum follows a strategic review of peripheral businesses.

The offshoots being sold are Kitsons Insulation Contractors and Kitsons Environmental Services. These formed part of the insulation division which made an operating profit of £6.4m in the year to end-March 1990 out of a group total of £359.9m, but which incurred a £1.7m operating loss in the first half of the current year.

Mr Andrew Robb, finance director, said that the group was not selling its insulation manufacturing and distribution businesses. However, he said more disposals of other activities could be expected.

Some analysts are expecting Pilkington to sell its contact lens business, whose future is currently being reviewed, although Mr Robb said a decision would not be made for some time yet.

Pilkington shares rose 3p to 190p yesterday.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Alexanders Hldgs.....fin	1	Mar 22	1	1	1
Asda Group ....int	1.85	Apr 3	1.85	-	4.8
Banks (Sidney C) .....int	2.5†	Apr 8	2.5	-	8
Beapak ....int	3†	Feb 22	2.6	-	7
Dixons ....int	1.6	Mar 4	1.6	-	5.6
S'thn Business § ......fin	1.62	Feb 25	1.238*	2.56	1.958*

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues.

UK COMPANY NEWS

Southern Business rises 37%

By David Owen

SOUTHERN BUSINESS Group, the USM-quoted photocopier and vending machine contractor, reported a 37 per cent advance from £10.25m to £14.02m in taxable profits for the year to September 30.

Turnover rose 41 per cent to £46.77m (£33.23m). The group is shortly to apply for a Stock Exchange listing.

A final dividend of 1.62p (1.24p) is recommended, making a total of 2.56p (1.96p) – an increase of 31 per cent adjusted for last February's 3-for-1 scrip issue.

However, earnings per share fell from 10.25p to 9.67p reflecting the inclusion of a £3m additional tax provision.

The company, whose accounting policies have come under close scrutiny in the City, said that the provision was "pure prudence to enable us to show a full tax charge." Before the provision, earnings amounted to 12.86p.

The Surrey-based group has reached something of a watershed in that it has become cash positive, generating £3m through trading operations during the year under review.

The corollary is that its traditionally low tax rate has started to edge up from 10 per cent to 13.6 per cent.

Mr Roger Limpenny, finance director, said that a further small increase in the effective rate was likely in the current year. He said that the £1.91m allowed for tax excluding the additional provision was "the genuine cost of tax to the company."

The shares rose 1p to 68p.

Wheeling and dealing to restore a name

Jane Fuller gives the background to the DTI investigation of the Norton Group

NORTON GROUP, the motorcycle maker under investigation by the Department of Trade and Industry, was still locked in talks with its stockbrokers TC Coombs yesterday over the finalisation of its £6.5m rights issue.

Coombs, the underwriters, had failed to come up with about £1m by Tuesday's extended deadline.

The poorly supported 15-for-4 issue and the controversial German acquisition which it helped to finance are among the events which the DTI inspectors are likely to cover in their investigation of Norton's activities over the past three years.

Other areas likely to be examined are Norton's reverse takeover of Minty, which brought it to the main market in June 1989, and the group's accounts.

Such business activities have attracted relatively little attention, while public interest has focused instead on Norton's efforts to resurrect the famous motorcycle marque. That loss-making business has continued to suck in funds from less glamorous parts of the group.

A serious decline in Norton's share price started after the company came to the main market, when its shares stood at about 260p. This compares with the recent rights issue price of 20p and yesterday's close of 16p.

The acquisition of FUS Beteligungs-und Verwaltungs, the German fasteners maker, aroused dissent because the vendor was part of a Channel Islands trust company set up to benefit the children of Mr James Tildesley, Norton's non-executive chairman and principal shareholder.

The £8.2m deal, approved by 80 per cent of shareholders, was completed on Friday. This was in spite of the delay in concluding the rights issue. The issue's size meant that Coombs was temporarily left with the majority of the group's enlarged share capital.

FUS was founded by Mr Tildesley's former UK fasteners company, PSM. In 1988, Mr Tildesley, who had moved to Spain after selling PSM to McKechnie, took up Norton's chairmanship, a post previously held by Mr Philippe Le Roux who remains chief executive.

At the time, Norton was acquiring Pro-Fit Piping Components, of New Jersey, for £8.7m. The aim was that Pro-Fit should provide cash for the development of Norton's engine technology. The chief critic of the German acquisition has been Mr Yehuda Mendelson, head of Pro-Fit, who took nearly a third of the purchase price in Norton shares.

Mr Mendelson has not only seen the value of his stake plummet, but also his profitable business has continued to offset losses elsewhere in the group.

A point of concern about the FUS purchase has been the profit made by the vendor Roybridge, part of the Tildesley family's Jersey-based trust company. Roybridge bought FUS for about £3m in 1989.

In explaining the £5m gap between that figure and the Norton deal, Mr Le Roux pointed to the inclusion of property and to FUS's profits

James Tildesley (left) and Philippe Le Roux with the motorcycle which they hoped would resurrect the famous marque

– it made DM2.5m in the six months to June 1990. Roybridge also incurred expenses, including legal fees in an ownership dispute, in getting FUS ready for disposal.

Mr Norman Minty, who joined Norton's board after the Minty takeover in June 1989, said FUS had been independently valued. "Mr Tildesley did not give us the price and did not vote."

The Minty takeover caused Norton some concern. The mostly paper deal produced a group valued at £27.2m, of which Norton accounted for £15.8m.

Minty's main asset was the Oval Road property in Camden, north London. According to the listing particulars, there was an agreement to sell this property to Priest Marians for £12m. Priest was then chaired by Mr Simon Fussell, also Minty's chairman. This fell through as did a subsequent attempt to sell it to a separate Fussell concern.

Norton eventually received only £4.9m for the site.

Mr Peter Hooper, Norton's secretary, said the group had been concerned about the failure to realise the value mentioned in the merger document. Mr Fussell said the property had been independently valued in April 1989, since when the property market had collapsed.

The company's accounts will also fall within the DTI's remit and these have not been straightforward.

In March 1989, the group declared a pre-tax profit of £1.1m for the 16 months to December 1988. Virtually all the profit came from Pro-Fit, acquired in November 1988 and merger accounted. The motorcycle and rotary engine businesses lost £600,000.

The results attracted favourable coverage and the scene was set for the Minty deal.

Following this transaction, the group's financial year was changed to end in April and again the constituents were merger accounted. This makes comparisons difficult and obscures the four months between December 1988 and April 1989.

The next set of annual results, for the year to April 28 1990, showed pre-tax profit improving from £324,000 to £858,000. However, this was thanks to an exceptional gain of £1.2m from forfeited deposits on the Camden property.

Pro-Fit was the only trading profit earner with £993,000, while the motorcycle and rotary engine section lost £700,000. The divested furniture business had also chalked up losses.

Although Norton had made noises about the return to profitability of the famous motorcycle division, Mr Le Roux said this week it had made further losses. Other parts of the group were profitable.

Fresh approach for Touchstone

A Brown & Sons, a property investor, has approached Touchstone, the computer services group, regarding a possible bid for the company.

Touchstone is currently the subject of a hostile £5.6m all-share offer from Stratagem. Brown also said that Touchstone had approached it about a potential offer for Brown last November.

Reliance Security advances 25%

Reflecting the benefits of earlier investment as well as a growing market, Reliance Security Group increased interim profit by 25 per cent.

For the 26 weeks to October 26 pre-tax profits rose to £1.28m (£1.02m) on turnover ahead 32 per cent to £26.24m (£19.85m). Earnings per share were 7.6p (6.5p) and the interim dividend is 2.2p (1.8p).

Interest charges hold back Jurys Hotel

Jurys Hotel Group, which operates mainly in the Republic of Ireland, saw its profits held back by interest charges in the half year to October 31.

Turnover rose 27 per cent from I£11.54m to I£14.65m (£13.42m). But trebled interest charges of I£918,000 limited the pre-tax rise to 11 per cent, at I£2.59m (I£2.33m). Earnings were 9.89p (9.87p). The interim dividend is held at 2p.

PUBLIC WORKS LOAN BOARD RATES

Effective January 9

Years	Quota loans repaid by EIP†	Quota loans repaid At††	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid At††	Non-quota loans A* repaid at maturity§
1			12⅜			13⅛
Over 1 up to 2	12¼	12¼	11⅞	13¼	13¼	12⅝
Over 2 up to 3	12	12	11⅝	13	13	12⅜
Over 3 up to 4	11¾	11¾	11½	12¾	12¾	12¼
Over 4 up to 5	11⅝	11⅝	11½	12⅝	12⅝	12¼
Over 5 up to 6	11⅝	11½	11½	12⅛	12	12
Over 6 up to 7	11½	11½	11⅝	12	12	12⅛
Over 7 up to 8	11½	11½	11⅝	12	12	12⅛
Over 8 up to 9	11½	11½	11¾	12	12	12¼
Over 9 up to 10	11½	11½	11¾	12	12	12¼
Over 10 up to 15	11⅝	11¾	11½	12⅛	12⅛	12
Over 15 up to 25	11⅝	11⅜	11¼	12⅛	11⅞	11¾
Over 25	11⅜	11¼	11¼	11⅞	11¾	11¾

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

COMMODITIES AND AGRICULTURE

Sugar prices dip to lowest since May, 1988

By David Blackwell

RAW SUGAR prices dipped below $200 a tonne in London and 9 cents a lb in New York in early trading yesterday. The London Daily Price for Raws was $223 a tonne, down $8.60, the lowest level since May 1988.

Meanwhile E.D. & F. Man, the London broker, has revised upwards its estimate for the 1990-91 world surplus to 1.89m tonnes from a previous estimate of 1.4m tonnes made last September. "Sugar prices in 1991 may come under greater pressure than in the previous two years and test levels not witnessed for some time," Man warns in its latest sugar report.

The continuing decline of sugar prices reflects an almost total absence of physical offtake. Man has revised downwards its estimate for 1990-91 consumption by 663,000 tonnes, leaving it at 108.48m tonnes.

Ms Farideh Bromfield, Man's sugar analyst, pointed out yesterday that the Gulf crisis had already resulted in a loss of sales of 350,000 tonnes of white sugar in the past six months which would normally have gone to Iraq and Kuwait.

The repurcussions of the Gulf crisis had left other sugar importing countries less money to spend because of higher oil prices, she said. And in eastern Europe the reduction of agricultural subsidies had pushed domestic sugar prices up monthly, with a corresponding fall in consumption.

Man has also revised its production estimate downwards, but by only 167,000 tonnes to 110.38m tonnes – still a record level. And the report warns that this figure "does not yet fully reflect the potential increase in output."

Ms Deborah O'Keefe, an analyst with Czarnikow, the London broker, said the market was adjusting to this week's news that Brazil's sugar exports this year are expected to reach at least 790,000 tonnes compared with previous expectations of about 550,000 tonnes. In addition, India said last week that it expected to export 200,000 tonnes of white sugar before March.

However, Mr James Hoare of GNI said that both India and Brazil would be reluctant to sell at current prices. "I'm not expecting India to show its hand," he said.

He was expecting a short-term floor of 8.75 a lb, a level which he believed would attract some buyers – possibly Mexico, Morocco or Syria.

Man forecasts that this year's surplus will continue to weigh on prices, particularly whites. "A global economic recession, rising domestic prices and production increases in the EC and Brazil do not bode well for the market's near term prospects." ● India, the world's largest sugar producer, is set to post a second consecutive year of record output in 1990-91 but production could fall sharply thereafter due to declining prices, according to industry officials, reports Reuters from New Delhi.

India's production of white sugar in the 1990-91 crop year (October/September) is likely to rise to 11.5m tonnes from a record 11m in 1989-90, said Mr S.L. Jain, secretary general of the Indian Sugar Mills Association.

Organic farming bears rich fruit in Mexico

Candace Siegle reports on an innovative project on the Baja California peninsula

SLICED BY jagged mountains and skimmed by the Pacific Ocean to the west and the Gulf of California to the east, Mexico's Baja California peninsula forms a slender finger pointing 1,000 miles (1,600 km) from its northernmost edge.

The capital of Baja California Norte, the teeming border city of Tijuana, is the only heavily populated area: from there Baja meanders south, dotted by a series of small farming and fishing towns, until it reaches the modest resort area of Cabo San Lucas.

No indigenous tribes were native to the peninsula and the area was settled by the descendants of pirates and adventurous mainlanders. Until recently the majority of the population survived by subsistence farming or fishing, a struggle in an area where the necessary importation of goods has made the cost of living high. But for some in San Jose del Cabo, that has changed.

"An aid programme that became a business" is how Mr Larry Jacobs describes the del Cabo Project, an organic vegetable operation which in four years has made its participants into some of the highest paid farmers in the country. The brainchild of Mr Jacobs and partners Ms Sandra Belin and Mr Steve Farrer, the project helps farmers raise organic crops, which are then exported to the US. A November-June growing season puts del Cabo produce in the market just at the time when most US shoppers are starved of high-quality, off-season vegetables. Mr Jacobs estimates that del Cabo will send 500 tonnes of organic produce north in the 1990-91 season, a considerable increase from the 47 tonnes exported in 1986-87, the projects first year.

The idea for an organic food co-operative came to Mr Jacobs while he and Ms Belin were on holiday in Baja. They noticed farmers using surprisingly intricate techniques to irrigate the arid land and conversations with them revealed that they had no problem growing whatever vegetables they chose. But there was simply no market for them. The hotels in the then-developing resort of Cabo San brought their produce from the mainland and exporting to the mainland was not an option because of high shipping costs. Families raised only the food they needed with a little left over to stock the local public market. The average weekly income was the equivalent of US $35 a week.

Mr Jacobs, an agronomist who had served as an agricultural consultant in Africa and Latin America, came back to Baja to enlist farmers in an export project. Backed by Mr Jacobs' successful organic farm in Pescadero, California, the del Cabo project started off with eight sceptical families.

"We had problems commercialising everything," remembers Mr Angel Salvador Ceseña Bourgoine, at the time president of the collective farming association, or ejido, and one of the original eight. At the end of the 1990 growing season, the number of families involved in the del Cabo project had risen to 120, with between 60 and 80 more applications on file for the new season. Weekly income had risen from an average of US$35 a week to between $100 and $500. "And some hot-shots," says Mr Jacobs, "earn $1000."

The social impact of the project has already begun to show. The group has instituted savings plans – a new way of thinking for people who have been accustomed to spending every centavo that comes in – and soil fertility programmes, which Mr Jacobs calls the same thing as a bank account. Many young people are now staying on the land, breaking a trend that led increasing numbers to try their luck on the main land or to seek work in San Lucas hotels. Even some established farmers had begun abandoning their land, an unfortunate trend in a country almost wholly dependent on food imports. "But that has begun to change," says Miss Yazmin Mora, a Mexican agronomist working on the project. "Look at me."

"There's less talk of leaving the farm to make more money somewhere else. Where can you make more money than here?"

Born in the small central Baja town of Santa Rosalla, Miss Mora left the peninsula to study agriculture near Mexico City. Her hope was to return to Baja to work at modernising farming methods that she describes as "about 400 years behind." But even for a university educated agronomist there was little opportunity. She hooked up with the project and is now in charge of certifying land for organic cultivation.

"You see it on all levels," says Mr Ricardo Green, another young agronomist who was able to find work near his home town. "There's less talk of leaving the farm to make more money somewhere else. Where can you make more money than here? And besides raising people's economic level, we're teaching them technology."

Veteran farmer Mr José Aripes says he's bought a pick-up truck with money earned and has planted his fields with "more interesting" things than just the traditional maize and beans. He has embraced organic growing methods enthusiastically and praises the "bigger, cleaner, better" fruit he feels it produces.

Del Cabo grows according to strict Californian organic standards, which among other things requires that land be free of pesticides for three years before an organic crop is planted. Pests are controlled with beneficial insects or such natural fumigants as soap. Introducing these methods to San Jose farmers was less difficult because "in no way were they on the pesticide treadmill," as Mr Jacobs puts it. He introduced classes in organic growing, taking a video camera into the fields and zooming in on various insects to teach growers that the only good bug is not necessarily a dead one, and invited programme members to compare what they saw on video with what they saw on their plants. In the coming growing season, the del Cabo fields will be bright with yellow sunflowers, introduced to attract pests away from vegetables. "There is a sense that growing naturally is healthier for the farmer's family too," says former ejido president, Mr Ceseña Bourgoine.

The North American organisers used distribution paths already opened by their California operation to get del Cabo produce into supermarkets and organic food stores. It is shipped by plane, due to the remoteness of San Jose and the long drive over poor roads to the US border. According to Mr Jacobs, the vegetables were first shipped only to the San Francisco Bay area, but now are available in Los Angeles, Portland, Oregon, Seattle and Vancouver, British Columbia. All but 5 per cent of Bay area food outlets now carry del Cabo produce, and the range has expanded to include five varieties of tomatoes, cucumbers, soft and hard squash (gourds), aubergines, fresh basil and culinary herbs.

It seems a solid success, but Mr Jacobs says that it is more fragile than one would think. With so much of its business focused on the Bay area, del Cabo could be affected by a flooded market that would drive down prices and make it too expensive to ship by air. Although shoppers are willing to pay a little more for tasty, full-flavoured vegetables in the off season, those vegetables would not be as desirable if they had to be rattled over Mexican roads by truck. Mr Jacobs says they are looking for new markets to try and have had some luck in the US Midwest. He says they are ready to ship anywhere – the East Coast, Europe – if someone can help with the distribution system. Expanding distribution would mean support for more families.

Although Mr Jacobs has said he would like to start up a new project in another part of Mexico or Latin America, some of those involved do not feel that San Jose Farmers could continue successfully without the California backing of the del Cabo Project. Local people have been trained in running much of the operation, but Miss Mora says that without the structure the project offers exports would falter. Mr Aripes says that without the California connection, farmers would not be able to get the natural fumigants necessary in organic growing.

Last season, sales reached 10 times what they were the first year. For the first time, Messrs Jacobs and Farrer paid themselves salaries.

Says Mr Jacobs, "We're trying to get the best return we can for the guys who are growing the crops. It's a great thing to be able to combine profitable farming with feeling good."

Danes to spend £530m maintaining meat quality

By Hilary Barnes in Copenhagen

THE DANISH co-operative slaughterhouses plan to invest about Dkr6bn (£530m) in the course of the next five years in an effort to maintain the quality premium on which the country's pigmeat export business is based.

"We shall be investing more vigorously than ever in research and development and new plant and equipment," said Mr Bent Sloth, chairman of the Federation of Pig Producers and Slaughterhouses.

The Danish farmers produce between 15m and 16m pigs a year, but they hope that they will be able to increase this to 20m a year. Total income from sales of pigmeat amount to about Dkr25bn, of which Dkr17.5bn is from overseas sales.

High and standardised quality and reliability of delivery have been main selling points for the Danish industry since the beginning of this century.

In future "farm to table" control systems will be implemented to ensure quality is maximised at every stage of production. Selling points will include guarantees that no medicinal, heavy metal or pesticide residues or harmful bacteria are present in meat, said Mr Sloth.

Mass spectronomy systems, providing producers with rapid and reliable testing facilities, are being developed for these purposes.

An example of Danish research that has yielded a significant advance in the economy of pig production recently is a method for detecting "boar taint" – meat from about 7 per cent of all boars is tainted with an unpleasant smell, which means that it cannot be sold, and hence all male piglets have to be castrated.

The ability to detect tainted boars at the slaughterhouse removes the need for piglets to be castrated. They therefore grow faster and eat less, yielding an improvement in production cost per bacon pig of about Dkr40.

Pigs from about a quarter of all Danish producers are now being controlled for boar taint on arrival at the slaughterhouse.

The Danish producers' share of pigmeat exported to EC markets will rise from 64 per cent to 73 per cent between 1990 and 1995, according to forecasts made by the slaughterhouses. The share going to the UK, where Danish bacon has a traditionally strong hold, will fall from 30 to 28 per cent, while the share going to Germany will rise from 12 to 18 per cent, according to the prognosis.

New Zealand's producers aim to beef up their meat exports to Japan

Dai Hayward on a move into feed-lot fattening of cattle in an effort to boost sales to a newly-opened market

IN THE late 1960s, Mr Kenichi Ito, then a young man, saw his father's small meat business expand and prosper after introducing the first New Zealand mutton to Japanese consumers in the form of Japanese-style luncheon sausage.

It was immediately popular with Japanese housewives. Soon the Ito company was importing thousands of tonnes of New Zealand mutton. In 1970 Mr Ito Sr also became an enthusiastic importer of New Zealand lamb. For his contribution to trade between the two countries, Mr Denzo Ito received a high-ranking honour from a grateful New Zealand government.

So it was natural that the son, Kenichi, who now runs the huge food distribution group, Itoham Foods, was less sceptical than other Japanese importers at New Zealand's claims that it could produce top quality grain-fed feed-lot beef for the Japanese market. Japanese buyers knew that New Zealand's meat-producing farmers were world renowned for their grass-growing expertise and, until now, had no history of a feed-lot operation, in which animals are fattened on compound feed rather than grazed on pasture.

Mr Ito travelled to New Zealand to see for himself. The result was a joint venture with the New Zealand Meat Board-backed company, Anzco, to form Five Star Beef, which has established a pilot feed-lot operating in mid-Canterbury, better known for its production of high-quality lamb.

After a year in which it has successfully and profitably produced 1,500 head of grain-fed cattle for test-marketing in Japan, Five Star Beef is ready to expand into a new massive NZ$30m (£9m) feed-lot to produce 15,000 cattle a year for the Japanese market.

The company buys 18-month-old steers, mainly Hereford and Angus breeds, from farmers. It fattens them for 180 days on a diet of barley, maize, silage, hay and tallow. They are slaughtered at a weight of 700 kg.

The meat is air-freighted, chilled, to Japan. Already in the trial operation, the New Zealand feed-lot-produced meat is beating established feed-lot imports from Australia on quality and price.

The new sophisticated feed-lot of ten pens, each 60 metres square and holding 200 cattle, will receive its first young stock in May. Five Star Beef expects to start exporting in October.

Each animal will have between 18 and 20 square metres of space, compared with the 2½ to 3 square metres allocated in American feedlots. Mr Paul Phillips, New Zealand manager of Anzco, has been exhorting farmers within a wide radius of the feed-lot to adapt their farming patters to supply the steers needed for a continuous operation. Some dairy farmers have already switched to beef production, while local sheep farmers plan to replace some of their flock with breeding cows to produce calves for the feed-lot.

New Zealand also expects to increase its traditional grass-fed beef exports to Japan, following the opening of the Japanese beef market and reduction in import tariffs. New Zealand exporters believe the opening of the Japanese market will also provide new sales opportunities in other markets, especially Australia, the US and Canada, as these countries increase their own beef exports to Japan, leaving gaps in their domestic market.

There have been predictions that New Zealand will become the largest supplier of manufacturing beef to North America as Australia diverts more of its beef exports to Japan. The US itself could also increase its beef exports to Japan and other Asian markets, leaving opportunities for bigger New Zealand sales to the US.

With Japanese beef imports possibly reaching 2m tonnes by the year 2000, New Zealand could also find an increasing market there for its traditional grass-fed beef. Its lower production costs could make this beef attractive to Japanese family restaurants and fast-food outlets.

The Asian beef market generally is starting to open up to exporters. Korea, a closed market only two years ago, could soon be importing 100,000 tonnes of beef per year. New Zealand recently won a tender to supply 4,375 tonnes.

Sales to Taiwan, already the country's fourth largest beef market, will rise this year. New Zealand beef output is steadily increasing to meet these new opportunities. Last year its beef exports increased by 30,273 tonnes to 398,700 tonnes – worth over NZ$1bn. Slaughterings in the current season will be up 6.7 per cent – almost all for export.

WORLD COMMODITIES PRICES

MARKET REPORT

Most London Metal Exchange contracts ended down on the day, despite short-covering gains in the afternoon as longer-than-expected US/Iraq talks in Geneva raised hopes that a Gulf war might be averted. The biggest price movement was cash nickel's $100 fall to $8,725 a tonne. Dealers said there were no fresh factors affecting the market and saw the early fall as a follow-through to Tuesday's bout of liquidation, which had ended a four-day sequence of rises. The cash copper price closed £31.50 down at £1,317.50 a tonne. The market had opened firmer on news of a 3,280-short tonne fall in New York Commodity Exchange (Comex) stocks of the metal, but options-related selling quickly reversed the trend. Dry cargo freight futures surrendered some of Tuesday's sharp gains in the face of technical selling, with the February position ending 25 points down at 1,430. "It's a crazy market at the moment. . . The shorts yesterday were scrambling for cover, and today wishing they hadn't," one dealer said. The Gulf hopes depressed the gold price which closed $2.15 down at $386.10 a troy ounce on the London bullion market.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$18.55-8.80t	-3.00
Brent Blend (dated)	$22.55-2.70	-3.125
Brent Blend (February)	$22.45-2.60	-3.125
W.T.I. (1 pm est)	$23.85-3.95t	-2.725
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$251-256	-22
Gas Oil	$236-238	-24
Heavy Fuel Oil	$128-131	-10
Naphtha	$246-250	-29½
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$386.10	-2.15
Silver (per troy oz)♣	408.5c	-16.5
Platinum (per troy oz)	$412.50	-1.25
Palladium (per troy oz)	$86.75	+0.75
Aluminium (free market)	$1535	-5
Copper (US Producer)	120c	-2
Lead (US Producer)	50c	-1
Nickel (free market)	405c	-14
Tin (Kuala Lumpur market)	15.19r	+0.04
Tin (New York)	263c	
Zinc (US Prime Western)	70c	
Cattle (live weight)†	106.58p	-0.21*
Sheep (dead weight)†	147.16p	+0.49*
Pigs (live weight)†	75.21p	-0.15*
London daily sugar (raw)	$223.0z	-8.6
London daily sugar (white)	$293.2z	-6.3
Tate and Lyle export price	£224.5	-5.0
Barley (English feed)	121.0w	
Maize (US No. 3 yellow)	£163.0	
Wheat (US Dark Northern)	£87.0	
Rubber (Feb)♥	51.00p	
Rubber (Mar)♥	51.25p	
Rubber (KL RSS No 1 Jan)	237.5m	+0.5
Coconut oil (Philippines)§	365.0w	
Palm Oil (Malaysian)§	350.0	
Copra (Philippines)§	$245.0x	+3.0
Soyabeans (US)	£136.0	-2.0
Cotton "A" index	82.95c	-0.25
Woolops (64s Super)	414p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Dec. t-Feb. v-Jan. w-Feb/Mar z-Jan/Feb. x-Mar. †Meat Commission average fatstock prices. * change from a week ago ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	201.00	201.60	203.80 198.80
May	204.80	204.40	206.00 199.60
Aug	212.00	210.20	209.20 208.00
Oct	212.00	210.00	208.40 207.00
Dec	215.00	213.00	207.00
Mar	213.00	212.00	210.60 209.40
May	213.00	212.00	211.60 210.40
White	**Close**	**Previous**	**High/Low**
Mar	292.0	293.4	293.5 290.5
May	291.0	291.9	293.0 289.0
Aug	300.0	300.4	302.0 297.0
Oct	275.5	277.4	277.0 274.5
Dec	274.0		271.8 270.5
Mar	276.0	274.6	273.3 272.5

Turnover: Raw 964 (1352) lots of 50 tonnes. White 2445 (1306)
Paris- White (FFr per tonne): Mar 1509, May 1508, Aug 1568, Oct 1449.

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Feb	26.25	26.24	28.00 22.05
Mar	25.75	25.45	27.00 21.40
Apr	25.75	24.50	25.75 21.20
May	22.00	23.75	22.00 21.80
IPE Index	26.41	25.36	26.41 25.36

Turnover 11556 (24271)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Jan	237.25	253.75	258.00 227.00
Feb	220.50	239.25	244.50 213.00
Mar	208.00	228.50	232.00 202.00
Apr	198.50	216.50	221.25 198.50
May	194.50	211.00	218.50 194.50
Jun	212.00	208.00	212.00
Jul	193.00	208.00	195.00 193.00

Turnover 18227 (16298) lots of 100 tonnes

WOOL

Australian wool sales have been resumed and much more encouraging clearances are reported. The Australian Wool Corporation only a few weeks ago was compelled to buy 70% or so in floor price support. There was recovery to around 40% when trade improved just before Christmas, but this week's purchases were only 25% to 33%. The market indicator is up to 708 cents a kg. Now that cheaper South American wools have been largely absorbed, there is more confidence and traders are selling more cautiously. Bradford top quotations tend dearer, with 64s super at 420 pence a kg. and and 58s average at 246.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Mar	647	650	649 641
May	679	683	681 673
Jul	708	710	709 703
Sep	736	741	738 734
Dec	768	773	770 763
Mar	793	797	793 788

Turnover: 4543 (7425) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jan 8 868.92 (863.43) 10 day average for Jan 9 874.66 (876.01)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Jan	596	604	610 595
Mar	580	589	596 580
May	588	594	604 586
Jul	603	611	616 608
Sep	617	625	630 621
Nov	634	639	643
Jan	649		668

Turnover: 2769 (2450) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jan 8: Comp. daily 71.54 (71.31). 15 day average 72.95 (72.14)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	128.9	132.0	131.2 129.2
May	148.5	151.5	149.0 148.5

Turnover [illegible] (57) lots of 40 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Feb	113.00	113.50	113.00
Apr	114.00	118.50	117.00 114.00
Jun	114.50	119.00	117.00 114.50
Aug	116.50		116.50
Oct	117.50		117.50

Turnover 350 (60) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Jan	1443	1470	1466 1440
Feb	1430	1465	1456 1430
Apr	1338	1375	1365 1334
BFI	1433	1432	

Turnover 319 (405)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Jan	118.95	118.95	118.90 118.80
Mar	122.40	122.40	122.80 122.30
May	125.90	125.90	126.10 125.75
Jun	127.55	127.55	127.55
Sep	108.90		108.55
Nov	111.80	111.85	111.75
Barley	**Close**	**Previous**	**High/Low**
Jan	113.00	113.85	113.80
Mar	115.90	116.80	116.75 115.80
May	117.40	118.30	118.05 117.30
Sep	105.85		106.10

Turnover: Wheat 149 (189), Barley 50 (87). Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jan	94.0	94.0	93.8
Feb	94.5	94.5	93.3
Mar	95.0		94.8
Jul	98.5	99.0	98.5

Turnover: 25 (52) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 11,192 lots	
Cash	1542-5	1539-41	1530	1532-3		
3 months	1573-5	1570-2	1575/1562	1562-3	1573-5	52,389 lots
Copper, Grade A (£ per tonne)					Total daily turnover 22,889 lots	
Cash	1317-8	1348-50	1333/1320	1329-30		
3 months	1340.5-1.5	1367-8	1372/1341	1351-2	1342-3	103,173 lots
Lead (£ per tonne)					Total daily turnover 1,532 lots	
Cash	315-7	315-7	316	316-6.5		
3 months	330-0.5	330.5-1.0	331/329	331-1.5	330-2	10,659 lots
Nickel ($ per tonne)					Total daily turnover 2,478 lots	
Cash	8700-50	8800-50	8705	8700-5		
3 months	8650-700	8725-50	8750/8675	8700-5	8700-25	7,873 lots
Tin ($ per tonne)					Total daily turnover 1,958 lots	
Cash	5620-30	5640-50	5605/5600	5600-5		
3 months	5735-40	5750-60	5740/5710	5715-20	5740-50	6,689 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 3,511 lots	
Cash	1265-70	1273-5	1268/1263	1264-5		
3 months	1262-4	1266-7	1268/1257	1258-7	1265-7	17,775 lots

LME Closing £/$ rate:
SPOT: 1.9227 3 months: 1.8933 6 months: 1.8673 9 months: 1.8472

MGMI – London FOX

	Close	Prev.	High	Low	Vol
Indx	160.2	161.70	160.2		
Feb	161.2	162.30	161.2		140
Mar	161.6	162.80	162.0	161.7	90
Jun	160.3	161.00	160.3		86
Sep	160.5	161.50	160.5		86
Dec	158.7	160.20	158.7		140

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	385.85-386.35	
Opening	391.20-391.70	
Morning fix	390.70	205.383
Afternoon fix	387.10	201.352
Day's high	391.50-392.00	
Day's low	385.50-386.25	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	5.98	6 months	5.54
2 months	5.72	12 months	5.33
3 months	5.61		

Silver fix	p/fine oz	US cts equiv
Spot	213.75	408.50
3 months	220.95	415.90
6 months	227.75	423.30
12 months	240.95	438.50

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
1500	86	108	16	27
1550	54	75	34	45
1650	16	33	94	100
Copper (Grade A)	**Calls**		**Puts**	
2450	142	138	31	80
2550	61	90	68	129
2650	41	56	128	191
Coffee	**Mar**	**May**	**Mar**	**May**
550	39	49	9	13
600	13	23	33	37
650	3	9	73	73
Cocoa	**Mar**	**May**	**Mar**	**May**
600	56	90	10	12
650	27	57	31	29
700	11	33	65	55
Brent Crude	**Feb**	**Mar**	**Feb**	**Mar**
2500		230	80	365
2550				
2600	30	200		370

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jan	391.2	390.3	386.1	387.3
Feb	393.0	392.3	394.5	379.5
Mar	394.4	393.7	397.5	383.5
Apr	[illegible]	395.5	398.0	383.0
Jun	399.6	399.0	402.0	386.0
Aug	402.9	402.3	393.0	391.5
Oct	406.4	405.8	0	0
Dec	410.0	409.4	409.5	399.5
Feb	413.8	413.2	403.2	403.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	408.4	407.2	409.0	406.5
Apr	412.9	410.7	413.8	409.0
Jul	417.2	415.0	0	0
Oct	421.4	419.2	0	0
Jan	426.2	424.0	0	0
Apr	430.0	0	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jan	412.7	412.7	0	0
Feb	414.8	415.0	0	0
Mar	417.5	417.7	418.5	408.0
May	423.2	423.4	425.0	414.0
Jul	428.7	429.1	429.5	419.0
Sep	434.4	434.9	433.0	427.5
Dec	442.3	443.0	444.0	435.0
Jan	444.4	445.2	0	0
Mar	450.8	451.7	453.0	444.5
May	456.7	457.7	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	114.40	115.70	116.60	114.20
Feb	114.30	115.55	116.20	114.20
Mar	113.45	114.50	115.60	113.30
Apr	111.95	113.00	113.70	111.60
May	110.40	111.50	112.30	110.50
Jun	109.10	110.60	111.30	111.30
Jul	108.30	109.40	110.00	109.50
Aug	107.40	108.55	0	0
Sep	106.60	107.70	108.10	107.90
Oct	105.60	107.00	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Feb	28.00	27.17	31.00	23.35
Mar	27.75	26.30	30.00	22.60
May	27.20	24.71	27.50	21.71
Jun	28.02	24.06	27.06	21.50
Jul	23.80	23.56	26.56	21.35
Aug	28.16	23.16	22.30	21.05

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Feb	7850	7430	8200	6820
Apr	7200	6852	7452	6252
May	7000	6592	7192	6090
Jun	6987	6387	6987	5975

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1137	1140	1150	1125
May	1177	1179	1189	1166
Jul	1215	1220	1230	1211
Sep	1257	1257	1258	1248
Dec	1298	1301	1298	1297
Mar	1338	1343	1351	1351
May	1366	1371	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	90.15	90.45	91.30	89.80
May	92.50	92.75	93.60	92.25
Jul	94.60	94.90	95.75	94.55
Sep	96.80	97.10	97.80	96.75
Dec	99.60	99.80	100.80	99.60
Mar	100.75	101.95	103.00	103.00
May	102.75	103.95	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	9.15	9.10	9.21	8.92
May	9.22	9.18	9.30	9.01
Jul	9.26	9.22	9.34	9.05
Oct	9.32	9.25	9.38	9.10
Mar	9.43	9.32	9.25	9.23
May	9.47	9.39	9.34	9.34

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	75.47	75.68	76.45	75.30
May	73.97	74.23	75.00	73.83
Jul	73.52	73.54	74.30	73.50
Oct	66.86	66.81	67.40	66.81
Dec	63.90	63.89	64.30	63.80
Mar	64.75	64.70	64.90	64.90
May	65.15	65.10	65.31	65.30

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	113.85	113.00	116.25	113.50
Mar	111.90	112.55	114.60	111.50
May	112.65	113.80	115.00	112.50
Jul	113.40	114.25	116.00	113.80
Sep	114.00	116.00	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Jan 9	Jan 8	mnth ago	yr ago
1698.7	1708.5	1722.9	1816.5

DOW JONES (Base: Dec. 31 1974 = 100)

	Jan.8	Jan.7	mnth ago	yr ago
Spot	123.86	124.75	123.60	128.15
Futures	126.86	128.04	125.96	130.82

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	555/6	563/4	557/0	548/2
Mar	566/4	584/2	568/0	559/6
May	580/6	577/6	581/0	573/4
Jul	592/6	590/6	594/0	586/4
Aug	595/0	594/4	596/0	590/0
Sep	596/4	594/6	598/4	592/0
Nov	602/4	600/6	604/0	597/0
Jan	614/0	612/4	614/0	609/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jan	20.13	20.05	20.14	19.90
Mar	20.34	20.22	20.39	20.15
May	20.77	20.62	20.78	20.52
Jul	21.06	20.92	21.09	20.83
Aug	21.12	20.92	21.15	20.90
Sep	21.20	21.07	21.20	21.00
Oct	21.22	21.09	21.22	21.10
Dec	21.37	21.20	21.40	21.17
Jan	21.20	20.80	21.25	21.00

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jan	165.4	164.7	165.6	162.3
Mar	169.3	168.9	169.5	166.4
May	173.2	173.1	173.5	170.7
Jul	177.5	177.1	177.8	175.1
Aug	178.2	178.5	178.5	176.9
Sep	178.5	178.5	178.5	177.8
Oct	179.0	179.0	179.5	178.0
Dec	181.5	181.5	181.5	179.0
Jan	182.0	181.2	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	231/6	232/6	232/6	230/6
May	238/4	239/4	239/4	237/4
Jul	244/6	245/4	245/4	243/6
Sep	246/4	247/2	247/4	246/0
Dec	248/0	249/0	248/6	247/2
Mar	254/6	255/6	255/2	254/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	253/6	251/2	254/0	250/0
May	262/6	260/6	262/6	259/0
Jul	270/4	268/0	271/0	265/4
Sep	276/2	275/6	276/0	272/6
Dec	290/0	288/2	290/2	286/0
Mar	296/0	294/4	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	76.70	77.05	77.10	76.60
Apr	75.90	76.12	76.20	75.67
Jun	73.85	73.92	74.15	73.70
Aug	72.97	73.02	73.32	72.80
Oct	72.97	72.95	73.32	72.85
Dec	73.60	73.45	73.75	73.45
Feb	73.65	73.50	73.65	73.65

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	51.40	51.22	51.50	50.95
Apr	49.57	49.37	49.70	49.20
Jun	54.37	54.30	54.50	53.95
Jul	54.20	54.10	54.25	53.80
Aug	52.10	51.85	52.25	51.75
Oct	47.62	47.30	47.70	47.20
Dec	48.47	47.90	48.50	47.70
Feb	47.75	46.25	47.75	47.45

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	70.50	68.72	70.60	68.25
Mar	69.85	67.82	69.92	67.40
May	69.90	68.07	69.90	67.85
Jul	69.35	67.57	69.50	67.25
Aug	66.90	65.82	67.56	65.25

LONDON STOCK EXCHANGE

Shares advance on Geneva optimism

A WAVE of optimism about the US-Iraqi talks in Geneva swept through European and US stock markets yesterday and inspired a sharp if somewhat speculative gain in UK stocks. Led by a strong rise in the premium on the FT-SE futures contract, prices bounced ahead at midsession after reports from Washington that discussions between Mr James Baker, US secretary of state, and Mr Tariq Aziz, the Iraqi foreign secretary, had been "substantive".

The FT-SE Index doubled an early gain to show a net rise of 31 points at best, although later reports of agreement with Iraq on a "planned withdrawal" from Kuwait proved unfounded. The FT-SE Index closed just below the best of the day with a 29 point gain to 2,128.9.

Account Dealing Dates		
*First Dealings:		
Dec 31	Jan 14	Jan 28
Option Declarations:		
Jan 10	Jan 24	Feb 7
Last Dealings:		
Jan 11	Jan 25	Feb 8
Account Day:		
Jan 21	Feb 4	Feb 18

*New-time dealings may take place from 8.30 am two business days earlier.

While there was no denying the readiness of the market to respond to yesterday's slender hints of progress in Geneva, UK securities traders kept their enthusiasm under control. "As long as they are still talking, that is hopeful," was the cautious comment from the head dealer of a US securities house.

The market's advance was clearly driven by speculative activity. Trading volume improved but the 405.9m shares passed through the Seaq system, against 376.1m on Tuesday, included an injection of about £50m by way of a trading programme. The programme was "very keenly priced," according to one house which tendered unsuccessfully for the business.

The market opened uncertainly behind disheartened performances overnight both in Tokyo and New York, but it soon moved higher as the Geneva talks got under way without any apparent hitch. When favourable reports began to trickle through from Switzerland, the premium on the FT-SE future quickly extended to around 55 points, taking the underlying blue chip equities ahead in its train.

Also encouraging equities was a turnround in Brent North Sea crude from an initial gain to show a fall below $25 a barrel. With sterling steady despite oil's weakness, the UK stock market appeared to be having the best of both worlds. Despite the absence of definitive news from Geneva, London held up well at the close of business, encouraged by the New York market which showed a gain of nearly 40 Dow points in London trading hours.

Share gains were well spread across the range of the stock market. The blue chip internationals responded to the upturn in New York. Breweries, identified as a defensive area in recessionary times, were very firm, and even the bank and insurance stocks which have been unpopular recently found support yesterday.

Prices were driven ahead by the technical situation in the market. Market makers have been keeping trading books as near in balance as possible during the Gulf uncertainties. Consequently, share prices responded very quickly yesterday to the appearance of determined, albeit speculative, buyers.

Adding to the nervousness was the appearance on the Seaq overnight ticker – which reports late share bargains – of some very large trades; some traders suggested that the deals looked like the reverse side of the £100m sell programme transacted on Monday, but were puzzled as to why the deals had not been reported earlier. The Stock Exchange said that it had granted special dispensation to one member firm to delay reporting some trades.

Conversion news lifts Allied

ALLIED-LYONS was one of the best performing stocks in the FT-SE 100 following a report that GW Utilities, which is controlled by Canadian property company Olympia & York, had "no intention of converting its Allied-Lyons preference shares into common stock". If it converted its preference stake, GW would hold around 9¼ per cent of Allied's equity.

Allied has been depressed in recent weeks because a conversion by O & Y would dilute existing shareholdings and on fears that the new stock might be quickly sold or placed.

However, in the event it emerged after London closed that O & Y did intend – eventually – to convert its Allied preference shares into ordinary stock which would then be sold. The move was not imminent, said the reports, and the company must give 30 days notice of the conversion.

O & Y has the right to convert at 457p until 1994, and analysts believe that the two companies are in talks over a possible placing of the stake. Allied can force conversion if the share price reaches 514p for 10 consecutive working days. Its shares yesterday climbed 16 to 490p on volume of 2.7m.

Asda positive

An upbeat statement from Asda, the food supermarket group, took the market by surprise, since it had already announced interim profits which were merely in line with most analysts' forecasts. The shares advanced 6 to 124p as turnover increased to 11m on signs that some investors were switching into Asda Eurobonds.

After reporting that first half profits were down £22m at £61m from the same period last year, Asda went on to say that the integration of its Gateway stores was going well, while Christmas trading had not disappointed. There had been some concern that its large non-food interests might have held back total group sales in December.

The combination of a positive statement and unsurprising results convinced most analysts that they should not change their full year forecasts of £180m. But as some food specialists argued, that implies a strong second half performance in the midst of a deepening recession.

Diesel hopes

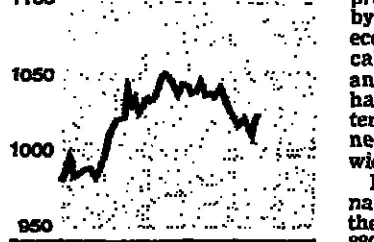
A rebound in shares of Lucas Industries was attributed to improved prospects for the group's electronically-controlled diesel fuel injection pump system. The new product, called EPIC, is scheduled for manufacture in 1993 but hopes rose yesterday after reports that the German authorities had relaxed their attitude over diesel engine vehicles.

German sources suggest the penal tax disincentive on new diesel-driven cars may be removed. Diesel fuel is now regarded as environmentally friendly, and Lucas and the German Bosch group are the only manufacturers of such diesel systems. Lucas bounced 9 to 138p in lively trading of 3.7m shares.

ECC explain

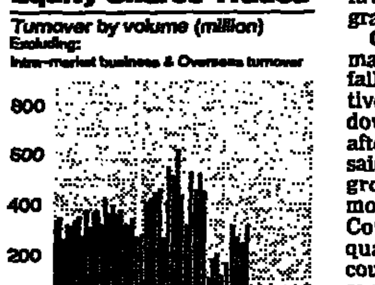
ECC Group, the industrial materials manufacturer, was helped by the outcome of an analysts' meeting held on Tuesday afternoon to explain the revised £176m acquisition of Georgia Kaolin, of the US. The original agreement to acquire Georgia for £310m has been amended following protracted discussions with the US anti-trust regulatory authorities.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Robert Fleming researchers Messrs David Taylor and Peter Jensen said Tuesday's presentation went extremely well, and they believe that the deal enhances the attraction of the group. Fleming turned positive on ECC after the appointment last April of Mr Andrew Teare as chief executive. The stock, up 11 at 357p yesterday, is one of its nap selections for 1991.

The firm performance on Wall Street while London was trading gave international issues an extra boost. Bass climbed 25 to 1059p, BAT Industries rose 18 to 591p, Reuters added 15 at 702p and Guinness rallied 17 to 772p.

The cautionary message presented yesterday morning by Mr Richard Freeman, chief economist at ICI, to the Chemical Industries Association's annual conference failed to harm sentiment in a sector tending to improve behind the newfound strength of the wider market.

ICI accompanied other international stocks higher from the outset and settled 15 up at 880p, while Laporte regained favour after Monday's downgrading to end 6 dearer at 483p.

Courtaulds was the lone major weak spot in the sector, falling for the third consecutive session amid rumours of a downgrading to end at 311p, after 307p. A leading analyst said profits estimates for the group were now becoming more realistic, for not even Courtaulds, in spite of the quality of its management, could escape the UK recession and downturn in the chemical industry.

Banking issues raced higher during the late afternoon, with Barclays closing 9 ahead at 354p. Lloyds 10 up at 293p and NatWest 5 firmer at 270p. Midland were a good market and closed 5 better at 179p on suggestions that the bank could be about to dispose of a German subsidiary. TSB, which reports today, edged ahead 3 to 133p.

Composite insurances attracted keen interest, with General Accident ending 15 firmer at 483p, Commercial Union 6 up at 453p and Royals 10 ahead at 388p. Turnover in the latter reached a higher than usual 2.1m shares. Guardian Royal, where talk of a takeover bid from the continent has done the rounds for many months, added 7 at 195p on 1.9m.

In the building sector, BPB, among Europe's biggest plasterboard manufacturers, moved up to 189p before closing a net 8 higher at 188p on good turnover of 2.4m shares. There were suggestions that BPB could be considering an increase in plasterboard prices.

Racal Telecom moved up strongly to close 11 higher at 269p on much higher than usual turnover of 982,000 after County NatWest shifted its recommendation on the stock from hold to buy.

County's Mr Patrick Wellington said he had changed County's stance on the shares because bearish comments on the company's fundamentals had been overdone; earnings growth for the current year is some 32 per cent, with 21 per cent on the cards for next year; and the possibility that the demerger of Racal Electronics' 80 per cent holding may well pave the way for a bid for Telecom.

Dixons put on 7 to 146p after the company announced interim results at the upper end of market forecasts. First half profits of £27m compared with £32m last time. Following the results, analysts raised their forecasts for the full year by around £10m to between £70m to £75m. Next was up 2½ at 15½p on renewed speculation that it may sell its mail order business to Sears.

Excellent first half profits of £458,000, compared with only £25,000 last time, together with a positive statement put USM-quoted Cassidy Brothers up 11 to 46p. Southern Business, another USM stock, revealed higher annual profits along with an application for a full market listing but the shares only hardened to 68p.

BAA fell 8 to 396p after Cazenove, an agency broker, was said to have reduced its current year forecast by £10m to £280m. Cazenove would not comment on the reports. The increase in hopes for peace in the Gulf and the subseqent fall in oil prices boosted British Airways 6 to 148p and P & O 12 to 512p.

Long-running stories that BET and Thorn were on the point of disposing of their combined 56 per cent stake in Thames TV left the last-named another 5 off at 333p. Bids for the next allocation of commercial television franchises must be submitted by the end of April, and analysts believe that companies with a consistent shareholder base should be better placed.

Bowater remained friendless following recent brokers' downgradings. The stock slipped 6 to 453p. Uncertainty over what might be revealed in Crown Communications' finals on January 15 took another penny off the shares at 40p for a two-day fall of 11.

Reports from the Geneva talks took the oil sector to tinder-box levels of anxiety, with market whispers of "peace in our time" driving crude oil prices sharply lower and taking the shares with them.

"This is an agonising time for traders," said one specialist, who felt that fund managers' overall perceptions remained that there could well be a wholesale retreat from the oil sector if the Gulf problem is resolved peacefully.

Of the leaders, BP retreated 4 to 319p on turnover of 5.2m, while Shell, although still sustained by the strong buy recommendation issued by Hoare Govett, were 3¼ off at 442¾p on 4.7m.

■ Other Market statistics, including the FT-Actuaries share index, Page 19

NEW HIGHS AND LOWS FOR 1990/91

NEW HIGHS (12).
BRITISH FUNDS (2) ELECTRICALS (1) FOODS (2) INDUSTRIALS (1) De La Rue, TRUSTS (6).
NEW LOWS (88).
AMERICANS (1) BANKS (1) BREWERS (1) BUILDINGS (8) STORES (2) ELECTRICALS (1) ELECTRICITY (1) ENGINEERING (4) INDUSTRIALS (26) Abbeycrest, American Grp. Free A, Avon Rubber, B.H. Proprietary, BSS, BTR Warrants 1994-95, Brierley Invs., Burndene, Dean & Bowes, Dictus, Eleco, Essette AB, Expamet Intl., Fenner, Forward Grp., Gleeves Grp., Goode Durrant, Hawthorn Leslie, ISA Intl., Intercare Grp., Johnston Grp., Levercrest, Powell Duffryn, TLS Range, Whitecroft, INSURANCE (1) LEISURE (3) MOTORS (2) NEWSPAPERS (1) PAPERS (4) PROPERTY (4) TEXTILES (2) TRANSPORT (2) TRUSTS (12) OILS (3) OVERSEAS TRADERS (1) MINES (7).

FINANCIAL TIMES STOCK INDICES

	Jan 9	Jan 8	Jan 7	Jan 4	Jan 3	Year Ago	1990/91 High	1990/91 Low	Since Compilation High	Since Compilation Low
Government Secs	83.39	83.12	82.98	82.96	82.91	82.96	84.20 (2/1/90)	74.13 (30/4/90)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	91.05	90.97	90.93	90.91	90.81	92.62	92.91 (8/1/90)	83.80 (30/4/90)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1668.5	1636.9	1647.8	1659.5	1648.5	1938.4	1968.3 (3/1/90)	1510.4 (24/9/90)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	170.2	174.9	167.6	157.8	155.5	322.4	378.5 (6/2/90)	136.2 (18/12/90)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2128.9	2099.9	2113.3	2126.1	2117.8	2412.6	2463.7 (3/1/90)	1990.2 (28/9/90)	2463.7 (3/1/90)	986.9 (23/7/84)
FT-SE Eurotrack 100	941.77	918.79♣	925.46	947.24♣	937.41	-	1003.35 (6/12/90)	918.79 (8/1/91)	1003.35 (6/12/90)	918.79 (8/1/91)
Ord. Div. Yield	5.76	5.85	5.81	5.79	5.81	4.40				
Earning Yld %(full)	11.99	12.19	12.11	12.03	12.11	10.73				
P/E Ratio(Net)(*)	10.08	9.92	9.98	10.04	9.98	11.28				
SEAQ Bargns 4.45pm	30,058	30,982	31,584	31,834	30,790	29,582				
Equity Turnover(£m)†	-	601.75	518.58	554.27	640.27	938.72				
Equity Bargains†	-	31,390	32,748	32,074	32,609	30,914				
Shares Traded (ml)†	-	325.1	256.3	284.6	317.9	423.9				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 100 31/8/90. * Nil 9.81 ♣ Indicative.

Ordinary Share Index, Hourly changes Day's High 1671.6 Day's Low 1637.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1637.9	1648.2	1645.9	1646.7	1650.4	1654.5	1662.6	1670.7	1667.6

FT-SE, Hourly changes Day's High 2130.9 Day's Low 2099.8

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2099.8	2110.5	2108.8	2108.4	2110.8	2115.4	2122.8	2129.9	2126.0

FT-SE Eurotrack 100, hourly changes Day's High 942.27 Day's Low 925.44

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
926.25	926.06	927.73	929.82	931.74	936.34	941.66

GILT EDGED ACTIVITY

Indices*	Jan 8	Jan 7
Gilt Edged Bargains	102.3	93.6
5-Day average	85.8	70.9

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	976	104	+3	Dixons	5,300	146	+7	Manweb	2,000	171	+5	Smith (W.H.) A	704	368	+6
ASDA Group	11,000	124	+6	ECC Group	1,300	357	+11	Marks & Spencer	2,100	229	+5	Smith & Nephew	2,800	102½	-½
Abbey National	2,500	225	+2	Eastern Elect.	3,000	239	+1½	Maxwell Comms.	450	151	+1	SmKl Beecham	3,700	604½	+3½
Allied-Lyons	2,700	490	+16	East Midland Elect	3,100	149	+2	Midland Bank	3,800	179	+5	SmKl Beecham Uts.	721	2613	
Amstrad	1,100	65	+1½	Enterprise Oil	1,000	586	-7	Midlands Elect	3,200	142		Smiths Inds.	280	224	+2
Anglian Water	883	366	+4	Eurotunnel Units	317	375	+6	NatWest Bank	2,300	270	+5	Southern Elec.	4,000	144	+3
Argos	327	250	+4	FKI	3,600	45½	-½	Next	3,100	15½	+2½	South Wales Elect.	900	160	+5
Argyll Group	1,800	344		Ferranti	185	14½	+½	North West Water	276	357	+4	South West Water	61	283	-1
Ass. Brit. Foods	462	443	+4	Fisons	825	371	+5	Northern Elect.	2,300	146	+2	South West. Elect.	2,200	142	+2
BAA	1,400	396	-8	Gen. Accident	599	483	+15	Northern Foods	115	353	+4	Southern Water	387	245	-1
BAT Inds	1,000	591	+18	General Elect.	2,800	173	+3	Northumbrian Water	31	277	+3	Standard Chartd.	381	240	+8
BET	2,300	173	+5	Glaxo	904	827	+12	Norweb	1,200	147	+1	Storehouse	2,100	108	+2
BICC	559	538	+5	Glynwed Int	679	209	+2	Pearson	215	660	+7	Sun Alliance	1,600	324	+4
BOC	859	480	+4	Granada	595	172	+5	P & O	1,700	512	+12	Sun Life	54	1058	+13
BPB Inds.	2,400	188	+8	Grand Met.	5,300	675	+3	Pilkington	2,000	190	+3	T&N	349	153	+2
BTR	1,500	322	+12	G.U.S. A	139	1114	+14	Prudential	2,500	187	+5	TI Group	278	387	+3
Bank of Scotland	337	117	+1	GRE	1,900	185	+7	RHM	1,500	303	+3	TSB	1,800	133	+4
Barclays	2,430	354	+9	GKN	1,100	326	+6	RMC	730	620	+3	Tarmac	528	233	+4
Bass	583	1059	+25	Guinness	1,400	772	+17	RTZ	595	430	+10	Tate & Lyle	418	270	+6
Beazer	176	96	+2	Hammerson 'A'	128	609	+2	Racal	3,000	175	+5	Taylor Woodrow	412	205	+4
Berisford Int.	5,500	22	+1	Hanson	5,500	185½	+4½	Racal Telecom	982	269	+10	Tesco	4,000	227	-2
Blue Circle	793	211	+2	Hanson Warrants	285	30½	+½	Rank Org.	439	592	+11	Thames Water	851	287	
Boots	2,400	329	+11	Harrisons Crosfield	271	135	+5	Reckitt & Colman	272	1294	+12	Thorn EMI	582	670	-4
Brit. Aerospace	700	532	+7	Hawker Sidd.	570	438	+7	Redland	298	547	-4	Trafalgar House	2,000	198	+2
British Airways	5,200	148	+6	Hillsdown	1,000	240	+3	Reed Intl	465	377	+4	Trusthouse Forte	782	242	+4
British Gas	2,400	232½	+3½	IMI	198	204	+6	Reg. Elect. Pkg Uts	9	£1480	+30	Ultramar	441	322	-6
British Land	39	260	+5	ICI	985	880	+15	Reuters	345	702	+15	Unigate	288	270	+2
BP	5,200	319	-4	Inchcape	513	236	+9	Rolls Royce	2,900	180	+4	Unilever	309	883	+15
British Steel	3,100	117	+2	Kingfisher	881	378	+8	Rothmans	283	730	+15	United Biscuits	731	324	
British Telecom	2,800	281	+4	Ladbroke	3,900	244	+4	Ryl Bk Scotland	868	158	+3	Utd. Newspapers	242	293	
Bunzl	75	67		Land Securities	287	520	+9	Royal Insurance	2,100	388	+10	Water Packings Uts.	2	£2623	+15
Burmah Castrol	518	479	+2	Laporte	49	483	+6	STC	577	321	-2	Wellcome	627	411	+5
Burton	3,000	76		Legal & General	872	366	+7	Saatchi	168	34	-1	Welsh Water	932	280	+3
Cable & Wire	584	453	+8	Lloyds Abbey	1,500	321	+3	Sainsbury	1,100	308	+1	Wessex Water	189	264	+2
Cadburys	386	327	+3	Lloyds Bank	1,200	293	+10	Scottish & New	1,300	360	+5	Whitbread 'A'	938	444	+9
Calor Group	652	229	-6	LASMO	7,600	362	-7	Sears	2,400	88	+1	Wiggins Teape	4,100	184	+5
Carlton Comms.	491	379	+15	London Elect.	5,100	147	+8	Sedgwick	389	231	+2	Williams Hldgs.	307	235	+5
Coats Viyella	1,200	105	+1	Lonrho	812	208	+3	Seeboard	1,800	140	+1	Willis Corroon	470	354	-1
Comm. Union	730	453	+6	Lucas	3,700	138	+9	Severn Trent Water	1,600	243	+3	Wimpey	2,100	198	
Cookson	1,200	98	+1	MB Caradon	438	161	+8	Shell Transport	4,700	442	-3	Yorkshire Elect.	3,300	182	+3½
Courtaulds	1,000	311	-1	MEPC	115	486	+8	Siebe	116	326	+2	Yorkshire Water	513	279	+5
Dalgety	271	343	+3	Manpower	140	53	-1	Slough Ests	27	221	+1				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS—Contd

Index-Linked

Int. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS—Contd

CANADIANS

1990/91 High	1990/91 Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

APPOINTMENTS

Senior posts at T&N companies

■ T&N has appointed Mr Tony Seall as director and general manager of Flexitallic, an industrial seals and gaskets subsidiary. He was general manager of sister company Tangye, and succeeds Mr W.H. Birnage who has retired. At BIP Chemicals Mr John Heaton has been appointed director and general manager of the resins business. He joins from Harcross Chemical Group.

■ Lord Runciman has been appointed chairman of ANDREW WEIR & CO, and Mr A.H. Isaacs, senior partner of Stephenson Harwood, joins the board. Lord Runciman was chairman of Walter Runciman until last year, and is chairman of Runciman Investments, and a joint deputy chairman of the Securities and Investments Board. Mr Vincent Weir has retired as chairman of Andrew Weir & Co, which remains a family-owned group.

Mr Bob Simmonds, director and general manager of United Baltic Corporation, has become deputy managing director of Andrew Weir Shipping, following the retirement of Mr Arthur W. White. Mr Simmonds joined the group in 1979.

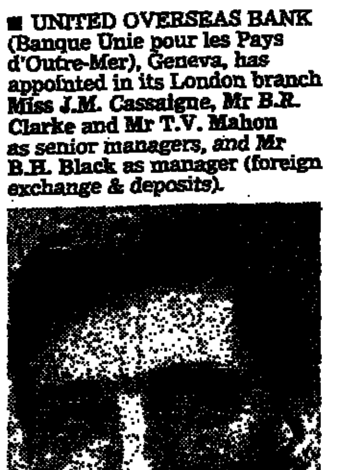
■ Mr Graeme A. Elliott, executive vice chairman of Slough Estates, and Sir Brian Hill, executive chairman of Higgs and Hill, have been appointed to the southern regional advisory board of NATIONAL WESTMINSTER BANK.

■ Mr Nicholas Toosey has been appointed regional director of FINANCIERE INDOSUEZ, for North of England, the Midlands, Scotland and Wales. He was a local director of Baring Brothers, and is deputy chairman of Ptarmican. Financiere Indosuez is the corporate finance arm of the London branch of Banque Indosuez.

■ CUNARD ELLERMAN, a Trafalgar House company, has appointed Mr Jerry Wilson to the board, responsible for personnel and administration. He continues as general manager, Ellerman Harrison Container Line.

■ SECRETAN, managing agents at Lloyd's, has appointed Mr Peter Edwards, formerly with Ernst & Young, as chief executive. Mr Stephen Bishop, previously London market marine underwriter at Commercial Union, becomes active underwriter for marine syndicate 367.

■ UNITED OVERSEAS BANK (Banque Unie pour les Pays d'Outre-Mer), Geneva, has appointed in its London branch Miss J.M. Cassaigne, Mr B.R. Clarke and Mr T.V. Mahon as senior managers, and Mr B.H. Black as manager (foreign exchange & deposits).



Mr Ian Whitehead (pictured) has been appointed chief financial officer of BERKELEY GOVETT & CO. He joined the company last September following two years in the Downing Street policy unit.

■ SHERWOOD GROUP has appointed Mr Jim Telfer to the board. He is managing director of Birkin & Co., responsible for the group's UK lace interests.

■ FENCHURCH INSURANCE BROKERS has appointed Mr Alan Jones and Mr Tim Lazenby as assistant directors of Fenchurch North Western.

■ Mr F.M. Bircher has been appointed a non-executive director of PLYSU, replacing Mr B. Lewis who has retired. Mr Bircher is a director of Powell Duffryn.

■ EBC GROUP, Exeter, has appointed Mr H. Cockroft as chairman. He retains his current post of chief executive, and succeeds Mr D. Stoneman who has retired. Mr P.L.M. Sherwood, a non-executive director, becomes deputy chairman, a new post.

Inchcape move

INCHCAPE has appointed Mr Alan Marsh (pictured) to the new post of director, Toyota distribution, Europe. He is managing director of Toyota (GB), an Inchcape subsidiary which is sole distributor in the UK. In his new role Mr Marsh becomes the company's chairman, and is also responsible for IMC and Toyota Hellas, Inchcape's other European Toyota distribution companies, covering Belgium, Luxembourg and Greece.

■ Mr Tim Corbett has been appointed director of business development at BARCLAYS COMMERCIAL SERVICES, factoring and invoice discounting subsidiary of Barclays Bank. He was director of invoice discounting.

■ Mr Richard North has been promoted to managing director of INTERNATIONAL SOFTWARE. He was director of marketing, and succeeds Mr Steve Moore, vice president, Europe. Mr Andrew Green has been promoted to financial director, and Mr James Waller to sales support and services manager.

■ Mr Michael Manisty has joined SMITH & WILLIAMSON SECURITIES as a director on the investment side. He was a director of Westlake & Co (Stockbrokers).

■ Mr Jeff Hodgson has been appointed manager of LEGAL & GENERAL's broker consultant division. He was manager of the company's London West End office.

■ ELECTRON HOUSE has appointed Mr Thomas Mayer as a non-executive director. He was an executive director of Thorn EMI.

■ FEDERAL EXPRESS LOGISTICS has promoted Mr Robert Kelly to marketing director (Europe).

■ NATIONWIDE ANGLIA BUILDING SOCIETY has appointed Mr Michael Pickard as a non-executive director. He is chief executive of Sears.

■ CBI-TDB UNION BANCAIRE PRIVEE, a Swiss-based bank, has opened a london branch, and appointed Mr G.T. Spencer as general manager. He was a director and head of the commercial banking group of Coutts & Co. Mr Leslie J. Rice, formerly of International Bank of Commerce, Bahrain, has been appointed deputy general manager.

Norwich Union direct sales

■ NORWICH UNION has appointed Mr Dunlop Stewart as national sales manager (direct sales) from March 1. He will be responsible for setting up the direct sales force which is to be launched this year. Mr Stewart is chief executive director, sales and marketing, at N.M. Financial Management. Mr Colin Beevers, from N.M. Financial Management, becomes agency manager (direct sales).

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BANKS, HP & LEASING

1990/91 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£13¼	£9	ABN Amro Fl5	£9⅞	–⅛	Q28%	2.1	8.9	5.3
303	122	ANZ SA1	123	+1	Q38c	♦	12.6	♦
234	172	Abbey National 10p	225	+2	5.7	4.3	3.4	9.1
*274	128	Allied Irish Ord.	132	+2	†040%	3.3	6.8	6.0
85	47	Anglo Irish	55	.....	Q18.6%	2.3	7.6	7.2
93	60	Ansbacher (H.) 1p	60	.....	2.5	1.3	5.6	17.3
£71¼	£32½	Bancaire Cie Fr100	£44¾	+1⅞	bQ12¼%	–	2.9	–
£22¾	£12⅞	Banco Bilbao Viz	£13¼	.....	Q49.1%	2.7	6.1	9.0
£58½	£23¼	Banco de Santander	£23¾	.....	Q24.7%	2.5	4.2	9.5
286	130	Bank Ireland Ir£1	144	+2	Q14.7%	2.9	9.1	5.1
£19½	£18	Bank Leumi	£19½	.....	–	–	–	–
351	320	Bank Leumi (U.K.)	350	.....	†15.0	–	5.7	–
129½	100	Bank Scotland	117	+1	†4.55	3.4	5.2	7.5
101¼	83¼	Do. 9¼pc Irrd Pf.	98½	+1	9¼%	–	12.5	–
54	39	Bank of Wales	42	.....	2.8	0.8	8.9	(20.2)
428	290	Barclays £1	354	+9	†h19.57	3.5	7.4	4.9
22	10	Benchmark 20p	12	+1	0.75	–	8.3	–
335	195	Brown Shipley £1	195	.....	‡12.0	2.2	‡	6.3
*435	285	Cater Allen £1	397	+8	F24.5	–	8.2	–
179	29	Chancery	44	.....	†9.0	2.7	‡	1.8
£23¼	£14	Commerzbk DM10	£15¼	+½	Q18%	–	3.9	–
£13¼	620	Dai Ichi K8k Y50	737	–13	Q17%	6.2	0.5	34.8
*£313½	£189½	Deutsche Bk DM50	£199½	+2¼	Q28%	–	2.4	–
£20⅞	£14⅜	Espirito Santo	£16⅜	.....	Q75c	5.1	2.3	8.5
253	166	First Nat. Fin 10p	176	+3	13.0	♦	10.3	♦
121	82	FNFC 6.3pc Cv. Pf.	86xd	.....	6.3%	–	9.8	–
£13¼	633	Fuji Bank Y50	867	–28	†Q17%	6.9	0.4	36.9
325	262	Gerrard & National	314	.....	19.0	–	8.1	–
154	70	Guinness Mahon 10p	70	.....	1.45	♦	2.8	♦
328	194	Hambros 20p	227	–1	†11.5	–	6.8	–
128	88	Do. 7.5pc Cv Pf.	100	.....	7½%	–	10.0	–
53½	29	HK & Shang. HK$2.50	31	.....	†hQ38c	–	8.2	–

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

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MOTORS, AIRCRAFT TRADES – Contd

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY – Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST – Contd

[illegible]

INVESTMENT TRUST – Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS – Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES – Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated *on "net" distribution basis, earnings per share being computed on* profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- ▫ Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ *Not officially UK listed; dealings permitted under rule 535(4)(a)*
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- *# Price at time of suspension*
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a *Annualised dividend. b Figures based on prospectus or* other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from *capital sources. k Kenya. m Interim higher than previous total.* n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for *1990-91. G Assumed* dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, *cover and P/E based on latest annual earnings. M Dividend and* yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90 P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised *dividend, cover and p/e based on prospectus or other official* estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all, xcd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1.. γ	700	.....
Finlay Pkg. 5p.... γ	38	.....
Holt (Jos) 25p.... γ	1310	+5

IRISH

Cap. 8½% Ln. 1991 ..	£98¼	.....
9pc Cap Ln 1996..	£93¼	.....
Fin. 13% 97/02...	£109¼	.....
Arnotts.......	155	.....
Carrol (P J.) ...	154	.....
Helton Hldgs.......γ	43	.....
IRG.	135	.....
United Drug.	130	-5

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	40
Amstrad	6
Astec (BSR)	4½
BAT	46
BOC Grp	28
BTR	25
Barclays	38
Blue Circle	19
Boots	29
Bowaters	43
Brit Aerospace	45
British Steel	10½
Brit. Telecom	25
Cadburys	28
Charter Cons.	38
Comm Union	40
Courtaulds	28
Eurotunnel	35
FKI	5
FNFC	20
Gen Accident	41
GEC	15
Glaxo	68
Grand Met	51
Guardian	17
GKN	27
Hanson	16
Hawker Sidd	35
ICI	78
Ladbroke	22
Legal & Gen.	32
Lex Service	17
Lloyds Bank	24
Lucas Inds	11
Marks & Spencer	19
Midland Bk	16
Nat West Bk	21
P & O Dfd	44
Racal Elect	16
RHM	23
Rank Org Ord	52
Reed Intnl	32
STC	19
Sears	7½
SmKl. Beecham A	41
TI	35
TSB	11
Tesco	19
Thorn EMI	55
Trust Houses	23
T&N	13
Unilever	52
Vickers	16
Wellcome	33

Property

Brit Land	24
Control Secs	5½
Land Securities	45
MEPC	38
Mountleigh	9

Oils

Aviva Petlm	3½
Brit Petroleum	27
Burmah Castrol	46
Conroy Petlm	15
Gaelic Res	1½
Premier	7
Shell	37
Tuskar Res	2
Ultramar	29

Mines

Lonrho	19
RTZ	48

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

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AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♠) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may *not be the current dealing levels because of an* intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 - 379 - 0444.

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TSB Unit Trusts (1200)H
Charlton Pl, Andover, Hants SP10 1RE 0264 346794

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB American	6	102.65	102.65	109.2	-1.03	0.8
Do Accum	6	112.21	112.21	119.37	-1.11	0.8
TSB Brit Growth	6	62.82	63.3	67.33	-0.77	4.02
Do Accum	6	69.46	69.98	74.44	+0.25	4.02
TSB European	6	62.31	62.31	66.28	-0.24	1.36
Do Accum	6	64.57	64.57	68.69	-0.24	1.36
TSB Extra Income	6	137.51	139.15	148.01	-0.32	6.33
Do Accum	6	194.48	196.78	209.33	+0.73	6.33
TSB Smaller Cos	6	37.53	37.53	39.92	+0.02	3.48
Do Accum	6	39.35	39.35	41.86	+0.02	3.48
TSB General	6	192.62	195.88	208.38	-1.44	4.29
Do Accum	6	353.13	359.1	382.02	+8.12	4.29
TSB Premier Income	5	41.76	41.76	43.5	-0.04	9.76
Do Accum	5	73.42	73.42	76.47	-0.08	9.76
TSB Income	6	252.9	258.13xd	274.6	+1.15	6.08
Do Accum	6	470.14	479.87xd	510.49	+2.14	6.08
TSB Pacific	6	184.1	184.1	195.85	-4.26	0.57
Do Accum	6	191.56	191.56	203.78	-4.43	0.57
TSB International	6	316.0	316.0	336.17	-0.41	1.72
Do Accum	6	405.33	405.33	431.2	-0.53	1.72
TSB Nat Resources	6	54.38	55.51	59.05	-0.4	1.47
Do Accum	6	58.99	60.22	64.06	-0.4	1.47
TSB Sicod Opps	6	66.85	67.71	72.03	-0.99	4.04
Do Accum	6	79.78	80.81	85.96	-1.18	4.04
Environmental Inv	6	39.29	40.0	42.55	+0.74	2.66
Do Accum	6	40.19	40.92	43.53	+0.76	2.66
TSB Selector	6	40.95	41.79	44.45	-0.24	4.77
Do Accum	6	42.19	43.06	45.8	+0.24	4.77
TSB High Income	6	43.48	44.26	47.08	+0.09	6.69
Do Accum	6	44.77	45.57	48.47	+0.09	6.69
TSB Intl Income	6	47.25	47.42	50.44	-0.03	7.04
Do Accum	6	47.25	47.42	50.44	-0.03	7.04
TSB Selector Income	6	44.36	44.95	47.81	-0.12	6.9
Do Accum	6	44.36	44.95	47.81	+0.12	6.9

Target Trust Mngrs Ltd (1600)F
Target Hse, Gatehouse Rd, Aylesbury, Bucks.
Admin: 0296 394000 Dealing 0296 312156

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Eagle	5	58.90	58.90xd	62.84	-0.81	1.23
Australia	5	4.961	4.961	5.310	[illegible]	5.02
Equity	5	139.4	139.4	149.7	-1.3	5.14
Euro Spec Sits	5	92.06	92.06	98.99	+1.00	0.70
Financial	5	24.44	24.57	26.48	+0.38	5.64
Global Opps Inc	5	54.89	54.89xd	59.06	+0.43	1.80
Global Opps Acc	5	56.08	56.08	60.34	+0.44	1.80
Gold & Gen Inc	5	35.05	35.05	37.69	-0.45	1.46
Gold & Gen Acc	5	65.52	65.52	70.45	-0.85	1.46
Income	5	87.79	87.79xd	94.44	+1.20	6.78
Japan & General	5	105.5	105.5	113.5	+0.5	0.00
Preference Share	5	17.08	17.08xd	18.37	+0.07	14.44
UK Capital	5	76.50	76.50	82.17	[illegible]	[illegible]

M & G Securities Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Charibond	99.4	99.4	+0.2	10.87
(Accum Units)	526.9	526.9	+0.9	10.87
NAAGIF Jan 9	–	39.5	.	10.15

MIM Ltd
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Mngd P Fund	932.0	1007.0	..	–
Mngd Pens (Acc)	50.0	54.7	..	–

Morgan Grenfell Unit Trust Managers Ltd
Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity † Jan 8	110.2	118.1		9.25
UK Small Co † Jan 8	421.6	463.2		2.31
Fixed Interest † Jan 8	101.4	106.6		8.31
US Small Co Jan 8	103.8	111.1		0.00
Managed Jan 8	92.55	98.42		2.59
Intl Bond Jan 8	107.4	113.3		8.05
Japan Jan 8	60.63	64.74		1.05
European Jan 8	73.93	79.13		1.78
Nth American Jan 8	78.68	84.57		1.65

Murray Johnstone UT Mngmt
Murray Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Amer Expt Jan 9	38.2	40.6	-1.10	2.49
Euro Expt Jan 9	44.4	46.6	-1.10	2.71
Fixed Int Ex Jan 9	44.4	45.6xd	-0.80	11.25
Japan Expt Jan 9	37.0	38.6xd	-0.80	0.73
Managed Ex Jan 10	38.0	39.5	-0.40	5.15
SC Asia Expt Jan 9	54.4	57.1	-0.40	7.15
Sm Cos Expt Jan 9	27.3	28.6	-0.20	5.94
UK Eqty Ex Jan 9	35.5	37.2	-1.10	4.69

Phillips & Drew Fund Management Ltd

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	89.2	93.9	+0.1	-
Pension Managed Fd	85.4	89.9	+0.3	-
Life Deposit Fd	103.5	109.0	+0.1	-
Pension Deposit Fd	107.1	112.7		-

National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Managed Cautionary	99.1	104.4	+1.6	-
Managed Growth	119.4	125.7	-1	-
Managed Opportunity	115.6	121.7	-0.8	-
NFMC Target Financial	84.6	89.1	-1	-
Pension Funds				
Managed Cautionary	105.5	111.1	-0.1	-
Managed Growth	124.4	131		-
Managed Opportunity	115.4	121.5	-0.8	-
NFMC Target Mngd Pen	1309.1	1378	+7.7	-

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or -	Yield Gross
Harvester Pension Funds				
Managed	139.0	146.4	-2.6	-
UK Equity	144.1	151.7	-3.4	-
Overseas Equity	108.5	114.3	-3.9	-
Fixed Interest	135.9	143.1	+2.4	-
Property	125.2	131.8	-1.7	-
Index Linked	143.5	151.1	+0.4	-
Deposit	148.6	156.5	+0.3	-
With Profits (B)	124.8	131.3	+0.2	-

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	304.2	320.3	+0.4	-
UK Equity	380.5	400.6	+1.3	-
Overseas Eq	283.1	298.0	-0.2	-
American	214.9	226.3	-0.1	-
Far East	287.4	302.6	+1.2	-
Property	193.2	203.4		-
Fixed Int	243.8	256.7	-0.3	-
Indexed Gilt	149.3	157.2	-0.3	-
Deposit	174.8	184.1		-

Prosperity Life Assurance Ltd
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690355

	Bid Price	Offer Price	+ or -	Yield Gross
Initial Equity	137.0	144.5		-
Accum Equity	193.0	204.0	+0.5	-
Accum Managed	197.0	208.0		-
Accum Five Star	146.5	155.0	-0.5	-
Accum World	106.0	112.0	-0.5	-
Accum Lifetime	100.0	100.0		-
Pens Acc Equity	201.5	212.5	+0.5	-
Pens Acc Managed	232.5	245.0		-
Pens Acc Intl	164.5	173.5		-
Pens Acc Deposit	189.5	200.0	+0.5	-
Pens Acc Five Star	153.5	162.0	-1.0	-

Providence Capital Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc	194.4	205.1	+1.0	-
UK Fixed Int Acc	165.6	174.7	+0.2	-
Intl Equities Acc	146.0	154.1	-1.8	-
UK Managed Acc	154.4	162.8	+0.3	-
Property Acc	223.7	236.0	-0.3	-
Money Acc	124.6	131.5	+0.1	-
Special Market Acc	118.4	124.9	-0.7	-
Japan Equity Acc	84.9	89.6	+0.4	-
North American Acc	82.6	87.2	-0.2	-
Pacific Acc	72.7	76.7		-
Technology Acc	90.4	95.4	-3.2	-
Nat Resources Acc	54.6	57.7	+0.1	-
European Acc	86.8	91.6	-1.0	-
Residential Prop Acc	95.9	101.2		-
Swiss Equities Acc	29.6	31.3		-
Hong Kong Acc	46.9	49.5	+0.3	-
UK High Inc Eq Acc	62.9	66.4	+0.4	-
Int Fixed Interest Acc	53.4	56.4		-
Int Managed Acc	49.4	52.1	-0.4	-
HIP Managed Acc	100.0	105.4	+0.2	-
HIP Managed II Acc	86.6	91.3	-0.1	-
Total Investment Bond				
UK Equity Initial		133.0	+0.7	-
UK Fixed Int Initial		113.4	+0.1	-
Intl Equities Initial		99.3	-1.1	-
UK Managed Initial		105.8	+0.2	-
Property Initial		154.3	-0.3	-
Money Initial		85.7		-
Special Market Initial		92.5	-0.5	-
Japan Equity Initial		66.3	+0.3	-
North American Initial		64.5	-0.1	-
Pacific Initial		56.7		-
Technology Initial		70.6	-2.3	-

Chase de Vere PLC
63 Lincoln's Inn Fields, London WC2A 3JX 071-404 5766

	Bid Price	Offer Price	+ or -	Yield Gross
New Trust Fd	97.6	102.7		-
Safeguard Fd	90.7	95.5	-0.3	-
United Kingdom Fd	136.4	143.3	-0.1	-
Worldwide Fd	97.2	102.3	-0.2	-

Drummond Moores Plc
Brabazon Hse, High St, Redhill, Surrey 0737 778500

	Bid Price	Offer Price	+ or -	Yield Gross
Priv Man Fd (Target) Pens	78.6	82.8	-0.6	-
MC Priv Fd Star Pens	152.1	160.1	-1.6	-

ECU Futures Plc

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Nikko Capital Mngt (Europe) Ltd				
Japan Index Fund	Y2,527	2,552		-
New Generation Fd S	$19 80	20 10		-
Japan Index Alpha	Y7,992	8,111		-
Jap Sector Rotation	Y6 673	6 771		-
Jap Cap Gwth CB	[illegible]	[illegible]		-
Prudential Intl Financial Services Ltd				
Holborn Currency Fund				
Managed Sterling	130 9	131 4	(z)	10 69
Managed Dollar	$14 21	14 25	(z)	7 61
Sterling Deposit	100 0	100 0	(z)	10 37
Dollar Deposit	$10 00	10 00	(z)	-
DM Deposit	DM50 66	50 85	(z)	6 27
SWFr Deposit	SF50.00	50 80	(z)	-
J. Yen Deposit	Y5,055	5,075	(z)	5 29
Saudi International (Guernsey) Ltd				
Intl Bond	$10 33	10 51		-
Intl Dollar	$10.30	10 31		-
Intl Equity	$10 56	10 90		-
Falcon High Income	$89 37	89 37		-
Sovereign Asset Management Limited				
Olympic Options Ltd	£9 1497	9 4346		-
Stonehage Fund Mngrs Ltd				
Intl Man Fd	$11 47	11 55		-
U.S. Treasury Securities Fund Ltd				
Short Term Shares	$745 99			-
Fixed Income Shares	$868.32			-
Yamaichi Capital Mangmt (Guernsey) Ltd				
Japan Mkts Growth	$9 85		-0 02	-
Yamaichi ISS Fund	$6 78		-0 04	-
Yamaichi CB Plus Fund	$7 57		-0 05	-
Thai Inv Fund	$9 00			-

IRELAND (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
GAM Fund Management Ltd (u)						
29 Kildare Street, Dublin 010 353 1760 630						
GAM Universal US Dlr Acc		$-	103.13			-
GAM Universal US Dlr Inc		$-	103.13			-
GAM Universal DM Acc		DM-	101.01			-
GAM Universal DM Inc		DM-	101.01			-
MI Global Asset Mngmt Co Ltd "MI Trusts"						
MI Global Dollar		$-	0 94	1 00		-

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F						
PO Box 63 Bond Street St Helier Jersey 0534 76029						
Stlg Fixed Int	5½	£1 127	1 127	1 198	[illegible]	10 05
Offshore Fxd Yen	3½	£1 438	1 438	1 496		14 56
Global Equity Fund	5½	£12 65	12 65	13 53	-0 06	1.11
European Equity	5½	[illegible]	15 46	16 53	-0 15	1 60
UK Growth (Ci) Fund	5½	£4 030	4 030	4 310	-0 03	3.79
Nth American Eqty	5½	£8 358	8 358	8 913	-0 04	0 81
Far Eastern Eqty	5½	£8 484	8 568	9 164	-0 01	1 38
Intnl. Bond Fund						
Sterling Managed	5½	£9 839	9 839	10 480	[illegible]	8 83
US Dollar Managed	5½	[illegible]	13 12	13 99	-0 02	6 58
International Currency Fund						
Sterling Managed ◊	5½	£24 85	24 85	26.30	+0 01	-
US Dollar Managed ◊	5½	$29 04	29 04	30 73	-	-
Sterling ◊ ◊	0	£23 87	23 87	23 87		13 51
US Dollar ◊ ◊	0	$37 25	37 25	37 25	+0 01	6 64
Deutschmark ◊ ◊	0	[illegible]	58 37	58 37	+0 01	7 74
Japanese Yen ◊ ◊	0	Y4 744	4 744	4 744	+1	6 93
Swiss Franc ◊ ◊	0	[illegible]	45 59	45 59	+0 02	7 38
Irish Punts ◊ ◊	0	[illegible]	21 61	21 61	-	7.59
INVESCO MIM International Limited						
PO Box 271, St Helier, Jersey 0534 73114						
Jersey Gilt Ut	5½	0 1672	0 1672	0 1763	(z)	9 36
Lloyds Bank (CI) U/T Mgrs.						
PO Box 195 St Helier, Jersey 0534 27561						
Lloyds Tst Gilt	2½	£9 122	9 140xd	9 379	-0 01	11 94
Dealing daily						
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier Jersey 0534 37788						
Intl Currnt Portfolio	6	85 57	85 57	90 75	-0 06	0 00
Gilt	3	89 94	89 94xd	92 76	-0 16	12 40
Royal Trust Jsy Fd Mngt Ltd (1400)F						
PO Box 428, St Helier, Jersey 0534 76077						
Govt Secs Fd	4	55 17	55 17xd	57 62	-0 05	11 20
TSB Trust Funds (CI)						
PO Box 538, St Helier, Jersey 0534 73494						
TSB Offshore Investment Fund Ltd						
Stg Deposit Class	3	101 53	101 53xd	104 57	+0 03	13 30
Gilt & Fixed Interest	5	100 08	100 08xd	103 10	-0 11	11 63
Eur Chg & Cult Equity	5	44 30	44 30	47 00	-0 16	0.17
International Bond	5	100 30	100 30	105 92	-0 17	7 52
UK Equity	5	80 99	80 99	87 26	-0 43	1 62
International Equity	5	81 74	81.74	87 47	-0 38	0 43
Far Eastern	5	71 84	71 84	76 68	-0 34	0 00
European	5	72 96	72 96	77 04	+1 99	0 42
Pan American	5	78 29	78.29	83.17	-0 41	0 79
TSB Gilt Fund Ltd						
Quarterly Share	3	94 19	94 19xd	97.17	-0 08	11.32
Monthly Share	3	93 93	93 93xd	96 89	-0 08	11.35

	Bid Price	Offer Price	+ or -	Yield Gr's
Scimitar Worldwide Money Fund Ltd				
Sterling	£21 11	[illegible]		
US $	$34 34	[illegible]		
D-Mark	DM68 69	[illegible]		
Swiss Franc	SFr52.50	[illegible]		
Japanese Yen	Y6900 67	[illegible]		
Australian $	A$35.67	[illegible]		
Canadian $	C$29 75	[illegible]		
Ecu	Ecu13 68	[illegible]		
US$ Managed	$36 7280	[illegible]		
Sterling Managed	£19 [illegible]	[illegible]		
Scimitar Worldwide Selection Fd Ltd				
Equity Class Funds				
American	$10 01	[illegible]		
Asian Smaller Mkts	$11 30	[illegible]		
European	$10 68	[illegible]		
Gold	$3 93	[illegible]		
Japanese	$25 38	[illegible]		
Pacific Basin	$16 37	[illegible]		
S pore (exc Malaysia)	$8 16	[illegible]		
Utd Kingdom	£7 88	[illegible]		
Worldwide	$12 54	[illegible]		
Worldwide Income	$9 92	[illegible]		
Worldwide Warrant	$6 70	[illegible]		
Managed Class Fund				
Worldwide	$8 15	[illegible]		
Bond Class Funds				
Ecu	Ecu9 36	[illegible]		
Sterling	£9 28	[illegible]		
US Dollar	$9 05	[illegible]		
Worldwide	$9 35	[illegible]		
Scrimgeour Kemp-Gee Mngt				
SKG Capital Fund	461 3	[illegible]		
SKG Income Fund	76 4	[illegible]		
YSB Trust Funds (CI)				
TSB Jsy Equity Fd	34 7	[illegible]		
TSB C'wy Equity Fd.	34 7	[illegible]		
TSB Island Pension	223 5	[illegible]		
TSB Gilt Fd (Jsy) Ltd	94 19	97 [illegible]		
Target Internat. Management				
Ivory Growth Fund	10 63	10 [illegible]		
Target Global Inv Tst	17 60	[illegible]		
Target Bond & Annuities	18 91	[illegible]		
Target IPS Unit Port	19 35	[illegible]		
European Global Strtgy	28 25	[illegible]		
Target U.K. Bal Strategy	10 79	[illegible]		
Tyndall International (Jersey)				
Wall Street	200 1	[illegible]		
Far Eastern	438 7	[illegible]		
1992 Fd	230 1	[illegible]		
Gilt Fd	112 4	[illegible]		
(Accum Shares)	557 6	[illegible]		
Managed Currency Stg	121 1	[illegible]		
Managed Currency Dlr	$1 075	[illegible]		
International	289 28	302 [illegible]		

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Peace hopes weaken dollar

MARKET optimism of a peaceful solution to the Gulf crisis increased yesterday, after the White House described talks between Mr James Baker, US secretary of state, and Mr Tareq Aziz, Iraqi foreign minister, as substantive.

But trading was nervous, with attention focused on the Geneva talks, and in the volatile trading atmosphere the dollar reacted quickly to any change in sentiment. Comments from Washington and Baghdad earlier this week had encouraged fears that war after the January 15 deadline for Iraqi withdrawal from Kuwait was almost inevitable. Yesterday's more encouraging if speculative news swung sentiment the other way, but the market remains acutely sensitive.

In New York the Federal Reserve drained liquidity from the banking system through overnight matched sale and repurchase agreements, but this did not alter the view that the Fed has probably eased its monetary stance by cutting the target rate for Federal funds to 6¾ from 7 per cent. The last reduction was on December 19, when the Fed funds target was cut from 7¼ per cent, shortly after a reduction in the Fed's discount rate to 6½ from 7 per cent.

The Fed failed to counteract a drop in the overnight Fed funds rate on Tuesday, leading to speculation that an easing of monetary policy had occurred. At the time of yesterday's action Fed funds were trading at 5½ per cent, well below the assumed new target rate. Dealers said that the collapse of Bank of New England at the weekend may have encouraged the US authorities into a further easing.

At the London close the dollar had fallen to DM1.5130 from DM1.5315; to Y134.00 from Y136.40; to SFr1.2735 from SFr1.2875; and to FFr5.1350 from FFr5.1925. On Bank of England figures the dollar's index fell to 61.5 from 62.0.

Sterling rose 2.05 cents to $1.9265 against the weaker dollar, and managed to stay off the bottom of the European Monetary System, slightly above the French franc within the exchange rate mechanism.

The pound was supported by interest rate differentials in favour of London and recent reassurances from British officials that rates will not be cut until this is consistent withsterling's position in the ERM.

Mr Norman Lamont, UK chancellor of the exchequer, told yesterday's meeting of the National Economic Development Council that there is "absolutely no question at all of a change in the pound's parity" in the ERM.

It was a little weaker against several ERM partners at the London close however, falling to DM2.9150 from DM2.9200 and to FFr9.8925 from FFr9.8975. The pound also declined to Y258.25 from Y260.00 and to SFr2.4525 from SFr2.4550. Sterling's index rose to 94.0 from 93.9, despite a fall of over $3 in the price of Brent oil futures on news about the Gulf talks.

£ IN NEW YORK

Jan 9	Latest	Previous Close
£ Spot	1.9270-1.9280	1.8955-1.8965
1 month	1.06-1.04pm	1.05-1.04pm
3 months	2.87-2.84pm	2.80-2.77pm
12 months	9.18-9.08pm	8.82-8.72pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jan.9	Previous
8.30 am	93.7	93.8
9.00 am	93.8	93.8
10.00 am	93.8	94.0
11.00 am	93.9	93.9
Noon	93.9	93.9
1.00 pm	93.9	93.9
2.00 pm	93.8	93.9
3.00 pm	93.9	93.9
4.00 pm	94.0	93.9

CURRENCY MOVEMENTS

Jan 9	Bank of England Index	Morgan** Guaranty Changes %
Sterling	94.0	-18.6
U S Dollar	61.5	-17.0
Canadian Dollar	102.4	+1.0
Austrian Schilling	110.3	+12.2
Belgian Franc	112.2	-1.6
Danish Krone	110.6	+4.7
D-Mark	120.1	+25.7
Swiss Franc	116.1	+24.7
Dutch Guilder	115.5	+16.7
French Franc	104.8	-12.0
Lira	99.8	-19.4
Yen	130.9	+62.7

Morgan Guaranty changes: average 1980-1982 = 100. Bank of England Index (Base Average 1985 = 100). **Rates are for Jan.8.

CURRENCY RATES

Jan 9	Bank rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.739890	0.701703
U S Dollar	7	1.40727	1.34552
Canadian $	12.82	1.62047	1.55205
Austrian Sch	6½	15.2238	14.4132
Belgian Franc	10¼	44.5190	42.2189
Danish Krone	9½	8.33878	7.89616
D-Mark	6.00	2.16185	2.04555
Dutch Guilder	7.25	2.43627	2.30931
French Franc	10¼	7.33047	6.95430
Italian Lira	12½	1621.35	1540.75
Japanese Yen	6	191.741	181.645
Norway Krone	8	8.46191	8.00881
Spanish Peseta	-	136.902	129.506
Swedish Krona	11	8.06506	7.64657
Swiss Franc	6.00	1.81960	1.72361
Greek Drach	20½	N/A	215.336
Irish Punt	-	N/A	0.766457

† European Commission Calculations.
* All SDR rates are for Jan.8

OTHER CURRENCIES

Jan 9	£	$
Argentina	10948.5 - 10970.6	5700.00 - 5701.00
Australia	2.4825 - 2.4845	1.2915 - 1.2925
Brazil	347.665 - 48.5255	181.00 - 181.40
Finland	6.9905 - 7.0345	3.6450 - 3.6500
Greece	304.200 - 309.100	161.670 - 163.240
Hong Kong	14.9740 - 14.9915	7.7975 - 7.7995
Iran	124.70*	65.10*
Korea(Sth)	1347.90 - 1369.65	714.60 - 720.20
Kuwait	N/A	N/A
Luxembourg	60.15 - 60.25	31.20 - 31.30
Malaysia	5.2310 - 5.2395	2.7220 - 2.7240
Mexico	5661.10 - 5666.50	2948.00 - 2949.00
N.Zealand	3.2460 - 3.2510	1.6890 - 1.6920
Saudi Ar.	7.0780 - 7.1195	3.7490 - 3.7510
Singapore	3.3645 - 3.3730	1.7575 - 1.7595
S.Af (Cm)	4.9260 - 4.9490	2.5710 - 2.5740
S.Af (Fn)	6.5205 - 6.6335	3.3900 - 3.4485
Taiwan	52.20 - 52.30	27.15 - 27.20
U.A.E.	6.9325 - 6.9735	3.6720 - 3.6740

* Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jan 9	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	129.506	-3.09	4.07	54
Belgian Franc	42.4032	42.2189	-0.43	1.30	24
D-Mark	2.05586	2.04855	-0.36	1.22	27
Dutch Guilder	2.31643	2.30931	-0.31	1.17	18
Irish Punt	0.767417	0.766457	-0.13	0.99	9
Italian Lira	1538.24	1540.75	0.16	0.49	-5
Danish Krone	7.84195	7.89616	0.69	0.17	-28
Sterling	0.696904	0.701703	0.69	0.17	-13
French Franc	6.89509	6.95430	0.86	0.00	-43

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu, a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times

POUND SPOT - FORWARD AGAINST THE POUND

Jan 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8910 - 1.9270	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	2.1810 - 2.2265	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	3.2825 - 3.3310	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	59.90 - 61.20	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	11.2165 - 11.4265	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	1.0840 - 1.0990	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Germany	2.9125 - 2.9265	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar [illegible]. 12 Month 9.38-9.28cpm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jan 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Jan 9	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 8⅞-8⅞ per cent, three years 8⅞-[illegible] per cent; four years [illegible]; five years 8½-8⅜ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Jan.9	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.927	2.915	258.3	9.893	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	0.519	1	1.513	134.0	5.134	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	0.343	0.661	1	88.61	3.394	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	3.871	7.460	11.29	1000.	38.30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	1.011	1.948	2.947	261.1	10.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.408	0.786	1.188	105.3	4.033	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.304	0.586	0.887	78.56	3.009	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.456	0.879	1.329	117.8	4.511	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.449	0.866	1.310	116.0	4.444	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.661	3.201	4.842	429.1	16.43	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; LIFFE US TREASURY BOND FUTURES OPTIONS; LIFFE BUND FUTURES OPTIONS; LIFFE EURODOLLAR OPTIONS; LIFFE EURODOLLAR OPTIONS; LIFFE SHORT STERLING OPTIONS; LONDON (LIFFE); CHICAGO; SWISS FRANC (IMM); PHILADELPHIA SE £/$ OPTIONS; 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES; OPTION ON LONG-TERM FRENCH BOND (MATIF); THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

[illegible]

Estimated volume 6,485 Total Open Interest 21,043

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open Int
January	1520.0	1561.0	+47.0	1569.0	1519.0	7,161
February	1530.0	1538.0	+14.0	1538.0	1530.0	447
March	1540.0	1540.0	+6.0	1540.0	1540.0	210
June	-	-	-	-	-	0

Estimated volume 7,100 Total Open Interest 7,818

BASE LENDING RATES

	%		%		%
ABN Bank	14	Co-operative Bank	*14	Nat Bk. of Kuwait	15
Adam & Company	14	Coutts & Co	14	NatWestminster	14
Allied Trust Bank	14	Cyprus Popular Bk	14	Northern Bank Ltd	14
AIB Bank	14	Dunbar Bank PLC	14	Nykredit Mortgage Bank	14½
● Henry Ansbacher	14	Duncan Lawrie	14	Provincial Bank PLC	15
Associates Cap Corp	15½	Equatorial Bank plc	14	Roxburghe Bank Ltd.	14½
● B & C Merchant Bank	14	Exeter Bank Limited	14½	Royal Bk of Scotland	14
Bank of Baroda	14	Financial & Gen. Bank	14	Royal Trust Bank	14
Banco Bilbao Vizcaya	14	First National Bank Plc.	16	● Smith & Williamson Secs.	14
Bank Credit & Comm	14	● Robert Fleming & Co.	14	Standard Chartered	14
Bank of Cyprus	14	Robert Fraser & Ptnrs.	14½	TSB	14
Bank of Ireland	14	Girobank	14	Unibank plc	14
Bank of India	14	● Guinness Mahon	14	● United Bk of Kuwait	14
Bank of Scotland	14	● Hambros Bank	14	United Mizrahi Bank	14
Banque Belge Ltd	14	Hampshire Trust Plc	14½	Unity Trust Bank Plc	14
Barclays Bank	14	Heritable & Gen Inv Bnk.	14	Western Trust	14
Benchmark Bank	14	● Hill Samuel	14	Westpac Bank Corp.	14
Brit Bk of Mid East	14	C. Hoare & Co.	14	Whiteaway Laidlaw	14
● Brown Shipley	14	Hongkong & Shangh	14	Yorkshire Bank	14
CL Bank Nederland	14	● Leopold Joseph & Sons	14		
● Charterhouse Bank	14	Lloyds Bank	14		
Citibank NA	14	Meghraj Bank Ltd	14		
City Merchants Bank	14	McDonnell Douglas Bnk.	14		
Clydesdale Bank	14	Midland Bank	14		
Comm.Bk. of London Plc	14	Mount Banking	14		

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MONEY MARKETS

London rates easier

INTEREST RATES were slightly easier in London yesterday, on favourable initial comments from the White House about the Gulf talks in Geneva between the US and Iraq. Hopes of a diplomatic solution to the crisis encouraged speculation about an early reduction in UK bank base rates.

Three-month sterling interbank fell to 13⅞-13¾ per cent from 13⅞-13⅞ and 12-month money declined to 12⅞-12¾ per cent from 13-12⅞.

Sentiment surrounding short sterling futures also improved on news about the Gulf talks. The March contract opened higher at 87.08, but fell to a low of 86.95. It then bounced off this major support level to close at 87.10 compared with 87.04 previously.

UK clearing bank base lending rate 14 per cent from October 8, 1990

The Bank of England initially forecast a day-to-day credit shortage of £650m in London, but revised this to £750m at noon and to £800m in the afternoon.

Total help of £818m was provided. Before lunch the authorities bought £182m bills outright, by way of £4m bank bills in band 1 at 13⅞ per cent and £178m bank bills in band 2 at 13¾ per cent. In the afternoon £126m bills were purchased, via £22m bank bills in band 1 at 13⅞ per cent and £104m bank bills in band 2 at 13¾ per cent. Late assistance of around £510m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £95m, with the unwinding of bill repurchase agreements absorbing £103m, exchequer transactions £380m and bank balances below target £100m. These outweighed a fall in the note circulation adding £30m to liquidity.

In Frankfurt call money remained firm at 8.55 per cent, trading above the Bundesbank's Lombard emergency financing facility at 8.50 per cent.

This followed a draining of liquidity by the central bank at this week's securities repurchase agreement tender, reviving speculation that the Bundesbank will soon tighten credit conditions by setting a flexible Lombard rate.

At the tender the Bundesbank drained a net DM3.8bn from the German banking system by accepting bids of DM27.0bn for 28-day money. Most funds were allocated at rates of 8.55 and 8.60 per cent. This agreement replaced an expiring facility of DM30.8bn.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.9) 3 months US dollars		6 months US Dollars	
bid 7⅞	offer 7½	bid [illegible]	offer [illegible]

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime			
Prime rate	9½	One month	[illegible]
Broker loan rate	9	Two month	[illegible]
Fed funds	6	Three month	[illegible]
Fed.funds at intervention	-	Six month	[illegible]
		One year	[illegible]
		Two year	[illegible]

Jan 9	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.50-8.60	8.90-9.00	9.10-9.20	[illegible]	[illegible]	[illegible]
Paris	9⅞-10⅛	9⅞-10	-	[illegible]	[illegible]	[illegible]
Zurich	7⅞-8⅛	8⅞-9	-	[illegible]	[illegible]	[illegible]
Amsterdam	9.12-9.25	9.33-9.40	-	[illegible]	[illegible]	[illegible]
Tokyo	8⅞-8⅞	8⅞-8⅞	-	[illegible]	[illegible]	[illegible]
Milan	12½-12⅞	13	-	[illegible]	[illegible]	[illegible]
Brussels	10.90	9⅞-10	-	[illegible]	[illegible]	[illegible]
Dublin	-	11-11⅛	11⅛-11⅛	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Jan 9	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15	14	14⅛	[illegible]	[illegible]	[illegible]
Interbank Bid	10	13¾	14	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	14⅛	[illegible]	[illegible]	[illegible]
Local Authority Deps.	13⅞	13⅞	14	[illegible]	[illegible]	[illegible]
Local Authority Bonds	-	-	-	[illegible]	[illegible]	[illegible]
Discount Mkt Deps	14½	13⅞	13⅞	[illegible]	[illegible]	[illegible]
Company Deposits	-	-	14	[illegible]	[illegible]	[illegible]
Finance House Deposits	-	-	14⅛	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	-	-	13⅞	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	-	-	13⅞	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	-	-	14⅞	[illegible]	[illegible]	[illegible]
Dollar CDs	-	-	7.37	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell); one-month [illegible] per cent; three months [illegible] per cent; Bank Bills (sell); one-month [illegible] per cent; three months [illegible] per cent; Treasury Bills: Average tender rate of discount [illegible] p.c. ECGD Fixed Rate Sterling Export Finance. [illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,438 Set by CINEPHILE

ACROSS
1 Use musket or meteor (8)
5 Bill's turned communist, I'm afraid (6)
10 Structure of tug? (5)
11 Explorer to spoil company game (5,4)
12 Domination holds on in place of religion (9)
13 Put clothing in straight line? (5)
14 Return of expert in good health (6)
15 Usual procedure of revel in east (7)
18 Stuffed FBI man finished first (7)
20 Small boy's endless trouble with emperor (6)
22 Greek character's number in explorer's place (5)
24 Transport for cooked bacon and mash (6-3)
25 Right lane adapted for human being (9)
26 A straight object to turn in valediction (5)
27 A painter has turned to desert (6)
28 Over-modest person, not quite nice, requires wisdom (8)

DOWN
1 Prophet's daughter, one between parents, in part (6)
2 Ash scattered near tower (5,4)
3 Like-minded people take time inside on couch for performance with lady (5,2,1,7)
4 Born, and cry about it? Brilliant! (7)
6 Could be ... (Can? could? - OK, could) ... a place of fantasy (5-6-4)
7 River, one to make keen (5)
8 Where caller stands to get a hunk of bread (8)
9 Light comes in through religious exercise (6)
16 Coil used in scientific method (9)
17 Orphaned crane-fly can make great strides (4,4)
19 Everyday sound on a flower (6)
20 Runner finds article in feeding trough (7)
21 Slow and unfeeling? More than right (6)
23 A month to go? (5)

Solution to Puzzle No.7,437

M	A	R	A	B	O	U	T		S	T	A	T	U	S
I		E		A		N				A		H		U
R	H	A	P	S	O	D	E		A	L	E	R	T	S
A		S		S		E				I		E		P
G	E	O	M	E	T	R	Y		E	S	C	A	P	E
E		N		T		T		B		M		T		C
					P	A	R	L	I	A	M	E	N	T
A		I		D		K		A		N		N		S
C	O	N	F	E	R	E	N	C	E					
A		F		C		R		K		H		R		I
N	O	R	M	A	L		N	A	P	O	L	E	O	N
T		I		D				M		I		F		V
H	A	N	D	E	L		M	O	I	S	T	U	R	E
U		G		N				O		T		S		S
S	H	E	A	T	H		C	R	E	S	C	E	N	T

هكذا من الأصل

WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | FRANCE (continued) | GERMANY | GERMANY (continued) | ITALY | ITALY (continued) | NETHERLANDS | NORWAY | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA | JAPAN | AUSTRALIA | AUSTRALIA (continued) | HONG KONG | MALAYSIA | SINGAPORE

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible] xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

2pm prices January 9

[illegible]

†–No voting rights or restricted voting rights.

INDICES

NEW YORK

DOW JONES	Jan 8	Jan. 7	Jan 4	Jan. 3	1990-91 HIGH	1990-91 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2509.41	2522.77	2566.09	2573.51	2999.75 (16/7/90)	2365.10 (11/10/90)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	91.54	91.71	91.94	92.01	93.04 (3/1/90)	88.44 (24/9/90)	95.51 (9/2/87)	54.99 (1/10/81)
Transport	898.05	894.30	909.11	909.48	1212.77 (6/6/90)	821.93 (17/10/90)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	206.93	205.67	207.94	207.81	236.23 (2/1/90)	190.96 (24/8/90)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2535.64 (2563.37) Low 2506.68 (2514.11)

STANDARD AND POOR'S

	Jan 8	Jan. 7	Jan 4	Jan. 3	1990-91 HIGH	1990-91 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	314.90	315.44	321.00	321.91	368.95 (16/7/90)	295.46 (11/10/90)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	369.16	369.64	375.97	377.18	437.37 (16/7/90)	346.86 (11/10/90)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	22.12	22.34	22.88	22.84	31.87 (3/1/90)	18.80 (29/10/90)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	172.61	173.07	175.95	176.41	201.13 (16/7/90)	162.20 (11/10/90)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	299.78	300.18	303.05	304.78	382.45 (5/1/90)	288.07 (30/10/90)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	359.00	360.24	367.24	367.51	469.60 (16/7/90)	325.44 (16/10/90)	485.73 (9/10/89)	54.87 (31/10/72)

	Jan. 4	Dec 28	Dec.21	year ago (approx.)
Dow Industrial Div. Yield	4.02	3.92	3.92	3.84

	Jan. 2	Dec 28	Dec.19	year ago (approx.)
S & P Industrial div. yield	3.35	3.31	3.32	2.86
S & P Indl. P/E ratio	15.76	15.92	15.88	15.19

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Philip Morris	1,739,300	48⅝	...
IBM	1,715,500	109	- 1¼
Pan Am	1,704,700	⅜	- ⅛
AT & T	1,647,300	29⅞	+ ⅛
Gen. Electric	1,528,700	54¼	+ ½
McDonnell D.	1,518,700	31¼	- 7½
Pepsico	1,421,300	24⅛	+ ⅛
Limited Inc.	1,416,300	18¼	- ½
Wells Fargo	1,370,300	51⅝	- 2⅝
BankAmerica	1,310,700	25	- ⅛

TRADING ACTIVITY

† Volume (Millions)	Jan. 8	Jan. 7	Jan. 4
New York	143.390	130.610	140.820
Amex	10.031	10.287	8.319
NASDAQ	111.726	109.461	103.833
Issues Traded	2,000	1,993	1,972
Rises	568	346	781
Falls	926	1,222	683
Unchanged	516	425	508
New Highs	4	10	7
New Lows	59	39	21

CANADA TORONTO

	Jan. 8	Jan. 7	Jan. 4	Jan. 3	1990-91 HIGH	1990-91 LOW
Metals & Minerals	2648.61	2650.66	2677.34	2682.61	3453.05 (4/1/90)	2486.60 (8/11/90)
Composite	3182.42	3201.00	3216.59	3221.73	4009.47 (3/1/90)	3009.91 (16/10/90)
MONTREAL Portfolio	1697.88	1700.23	1707.69	1707.69	2060.90 (3/1/90)	1607.24 (16/10/90)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Jan. 9	Jan. 8	Jan. 7	Jan 4	1990-91 HIGH	1990-91 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1232.5	1236.9	1239.4	1241.6	1713.7 (12/1/90)	1232.5 (9/1/91)
All Mining (1/1/80)	567.6	573.3	569.6	569.7	860.8 (5/1/90)	567.6 (9/1/91)
AUSTRIA						
Credit Aktien (30/12/84)	409.61	406.99	419.13	430.48	703.29 (19/3/90)	400.98 (25/9/90)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	4775.05	4771.84	4823.05	4885.43	6599.43 (12/1/90)	4771.84 (8/1/91)
DENMARK						
Copenhagen SE (3/1/83)	303.31	302.26	303.22	305.70	388.29 (20/7/90)	302.26 (8/1/91)
FINLAND						
Unitas General (1975)	348.4	357.3	368.3	372.0	677.3 (23/1/90)	348.4 (9/1/91)
FRANCE						
CAC General (31/12/82)	407.62	402.47	412.70	413.63	564.62 (30/5/90)	402.47 (8/1/91)
CAC 40 (31/12/87)	1552.19	1502.77	1507.87	1547.66	2129.32 (20/4/90)	1485.39 (25/9/90)
GERMANY						
FAZ Aktien (31/12/58)	591.18	585.23	588.34	602.11	832.32 (19/7/90)	569.69 (28/9/90)
Commerzbank (1/12/53)	1673.1	1654.5	1661.7	1702.4	2414.0 (3/4/90)	1628.7 (28/9/90)
DAX (30/12/87)	1375.16	1353.95	1358.16	1396.07	1968.55 (30/3/90)	1334.89 (28/9/90)
HONG KONG						
Hang Seng Bank (31/7/64)	3027.60	3009.42	3026.52	3046.61	3559.89 (23/7/90)	2738.24 (1/2/90)
IRELAND						
ISEQ Overall (4/1/88)	1162.26	1143.08	1157.82	1164.71	1893.10 (22/1/90)	1143.08 (8/1/91)
ITALY						
Banca Com. Ital. (1972)	511.32	510.63	518.87	521.34	763.52 (14/6/90)	500.67 (29/11/90)
JAPAN						
Nikkei (16/5/49)	22969.27	22897.84	23736.57	24069.18	38712.88 (4/1/90)	20221.86 (1/10/90)
Tokyo SE (Topix) (4/1/68)	1671.10	1677.93	1723.92	1740.92	2867.70 (4/1/90)	1523.43 (1/10/90)
2nd Section (4/1/68)	2608.77	2640.36	2688.65	2703.02	4477.16 (16/7/90)	2608.77 (9/1/91)
MALAYSIA						
KLSE Composite (4/4/86)	485.42	485.64	495.63	497.67	632.22 (1/8/90)	459.08 (28/9/90)
NETHERLANDS						
CBS Tot.Rtn.Gen.(End 1983)	228.4	226.5	227.8	229.8	271.9 (20/7/90)	225.6 (8/11/90)
CBS All Shr (End 1983)	167.4	166.0	167.0	168.4	206.3 (3/1/90)	165.6 (8/11/90)
NORWAY						
Oslo SE (Ind) (2/1/83)	636.51	636.98	644.69	648.24	915.13 (2/8/90)	636.51 (9/1/91)
PHILIPPINES						
Manila Comp (2/1/85)	586.83	593.78	601.97	612.63	1160.70 (21/3/90)	514.80 (5/10/90)
SINGAPORE						
SES All-Singapore (2/4/75)	322.30	319.89	324.34	325.78	446.87 (16/7/90)	301.45 (11/10/90)
SOUTH AFRICA						
JSE Gold (28/9/78)	1313.0‡	1338.0	1312.0	1252.0	2230.0 (16/1/90)	1111.0 (18/12/90)
JSE Industrial (28/9/78)	2923.0‡	2913.0	2964.0	2976.0	3211.0 (6/2/90)	2640.0 (1/10/90)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	660.39	659.68	676.65	697.62	928.82 (4/1/90)	566.27 (17/9/90)
SPAIN						
Madrid SE (30/12/85)	224.97	218.07	221.08	221.40	309.74 (16/7/90)	209.37 (28/9/90)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	820.5	808.4	817.6	838.0	1329.9 (5/7/90)	808.4 (8/1/91)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	613.2	606.2	611.9	623.6	845.5 (13/7/90)	606.2 (8/1/91)
SBC General (1/4/87)	505.8	499.3	504.4	514.9	698.2 (13/7/90)	499.3 (8/1/91)
TAIWAN**						
Weighted Price (30/6/66)	4052.78	3975.53	4191.07	4367.99	12495.34 (10/2/90)	2560.47 (1/10/90)
THAILAND						
Bangkok SET (30/4/75)	595.82	590.37	595.36	609.88	1143.78 (25/7/90)	544.30 (30/11/90)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	450.1*	444.0	448.7	458.8	571.0 (4/1/90)	423.1 (28/9/90)

**Saturday January 5: Taiwan Weighted Price: 4456.27, Korea Comp Ex. 698.45.
‡ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday 9 January 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	22.6m	451	+6	Furukawa Elec	4.6m	700	+25
Honshu Paper	12.6m	1,480	-80	C.Itoh	3.7m	693	+19
Hitachi	6.6m	1,080	0	Kurabo Inds	3.6m	918	+17
M'bishi Estate	5.7m	1,340	-10	Marubeni	3.6m	684	+3
M'bishi Heavy	5.6m	660	+1	S'tomo Metal	3.6m	455	+6

هكرامن الأصل

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

3pm prices January 9

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A - A - A -								
35⅞	9⅛	AAR	.48	4.8	9	918	10⅝	10⅜	10⅜	+ ⅛
9⅛	7¾	ACM	n1.03e	12.		68	8¾	8¾	8¾	
11⅛	8¼	ACMIn	1.26	12.		2079	10¾	10½	10¾	+ ⅛
9⅛	6½	ACM M	n1.01	13		146	7⅞	7⅞	7¾	+ ⅛
12¼	10	ACMMM	1.50	12.		225	12⅛	12⅛	12⅛	
11½	8⅝	ACM Sc	1.26	12.		1397	10¼	10⅛	10⅛	- ⅛
9⅛	7¼	ACMSp	1.01	12.		365	8¼	8⅝	8⅝	
25¾	17	AL Lab	.16	.7	18	116	22½	22¼	22¼	+ ⅛
4⅛	1	AM Intl				1225	1⅛	1⅛	1⅛	
18⅞	4⅝	AM In pf	2	25		105	8⅛	7¾	7⅞	- ⅛
70¼	39¾	AMR			14	8690	46⅛	45⅞	45⅞	+ ⅜
4	1⅛	ARX				18	1⅛	1⅛	1⅛	
72⅛	38¼	ASA	3	6.4		2127	47⅛	44⅝	47	- ⅜
3½	1⅝	ATTC wt				167	2⅝	2½	2½	
45⅞	31¼	AbtLab	s.84	2.1	19	x8072	41⅛	40¼	40½	+ ⅛
11⅝	4½	AcmeC	.40	8.2	11	168	5⅛	4⅞	4⅞	- ⅛
9⅛	5	AcmeE	.32	6.4	9	1	5	5	5	- ⅛
32⅛	18⅞	Acuson	s		21	2734	27	25¼	26	+ ⅜
16⅞	14⅛	AdaEx	1.72e	12.		122	14⅞	14¾	14⅞	
14½	8⅝	Adobe				22	8⅞	8⅞	8⅞	
18⅞	16	Adob pf	1.84	11		24	17	16⅝	16¾	- ⅛
21⅝	19⅛	Adob pf	2.40	13.		86	19	d18⅞	19	- ⅛
17⅞	3⅝	AMD				2550	5⅛	4⅞	4⅞	- ⅛
32⅛	13	AMD pf	3	15.		78	19¾	19⅝	19⅝	+ ⅛
7½	1⅝	Advest	.16	6.7		19	2⅝	2⅜	2⅜	- ⅛
58⅛	28	AetnLf	2.76	8.1	6	1836	36⅛	34¼	34¾	+ ⅛
11¾	6⅛	AfilPb	.24	3.1		628	8	7⅞	7⅞	- ⅛
22½	10⅝	Ahmans	.88	7	0	56200	13⅛	12⅝	12⅞	- ⅛
3⅝	1⅞	Aileen			8	66	3½	3¼	3¼	- ⅛

Continued on Page 33

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25	12½	XTRA pf1.94		13.		4	14⅝	14⅝	14⅝	+ ¼
3⅝	5-16	Zapata				44	⅞	¾	13-16	− 1-16
13⅛	4	ZenithE				378	6⅞	6⅝	6⅝	− ¼
18¾	9⅞	ZenNtl	1	7.5	9	106	13½	13⅜	13⅜	− ⅛
7½	4⅜	Zenix	.93	20.		208	4⅝	4⅝	4⅝	− ⅛
17¼	9⅞	Zero	.40	3.6	12	103	11¼	11⅛	11¼	+ ⅛
51½	29⅝	Zurnln	.88	2.7	14	157	33¼	32½	32½	− ¼
12⅝	10⅛	Zweig	1.07e	10.		265	10⅝	10⅝	10⅝	+ ¼
10	7⅞	ZweigTl	.95	11.		1303	9	8¾	8⅞	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the *new stock only*. Unless *otherwise* noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed *by such companies. wd-distributed. wi-when issued.* ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices January 9

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
PlyGem	.12	9	16	5¼	5½	5½	
Presd B		150	100	6	6	6	+ ⅛
Presd A	10		357	5	5	5	− ¼

NASDAQ NATIONAL MARKET

3pm prices January 9

AMERICA

Dow goes into retreat after Baker statement

Wall Street

THE DOW lost its early sharp gains after Mr James Baker, US secretary of state, said that he had heard nothing new in the talks with Mr Tariq Aziz, Iraqi foreign minister, yesterday, *writes Karen Zagor in New York.*

At 2 pm, the Dow Jones Industrial Average was up only 2.22 at 2,511.63, after being as high as 2,554.95 before Mr Baker's statement, on moderately heavy volume. It fell by about 10 points before recovering slightly to stand at 2,506.19 at 2.15 pm.

In the morning, equities had moved broadly higher for the first time this year on optimism about a peaceful resolution of the Gulf crisis.

The morning's gains, before the Gulf news, were broadly based, with the Standard & Poor's 500 climbing 4.54 to 319.44 and the American Exchange Composite adding 0.63 to 300.41. On the big board, advancing issues led those declining by a ratio of 11 to four.

Trading was particularly heavy in Philip Morris and The Limited. Philip Morris gained $1⅝ to $50 and The Limited jumped $1⅛ to $19½.

Several bank issues were helped by widespread a belief that the Federal Reserve hds eased monetary policy, reducing its perceived target for the Fed Funds rate to 6¾ per cent from 7 per cent. JP Morgan climbed $3⅛ to $45½, Banker's Trust added $1¼ to $44⅜ and Manufacturers Hanover firmed $⅛ to $20.

But not all bank shares benefited from the rally. Citicorp slipped $⅛ to $12⅞ and Chemical Bank was unmoved at $8⅜.

Plummeting oil prices gave some support to airline issues. UAL, parent of United Airlines, rose $4¼ to $115¼. Delta Air Lines gained $1⅝ to $60¼ and AMR, parent of American Airlines, added $2¾ to $48⅛. Even USAir, which said that it expected to post large fourth-quarter losses, moved $⅜ higher to $15⅝.

Ford Motor improved by $⅜ to $26½ in spite of rumours that the company's board might cut its $3-a-share annual dividend at its meeting today. Among other big US auto makers, Chrysler added $¼ to $13 and General Motors $⅝ to $32⅞.

Louisiana Land & Exploration climbed $1⅞ to $40⅝ after the company's chairman said that he expected fourth-quarter earnings to surpass analysts' expectations of 80 cents to 90 cents a share.

Last year, the company posted fourth-quarter earnings of 36 cents a share. Postive comments by an analyst at Salomon on Apple Computer spurred trading in the stock, which rose $2¼ to $45¼ by midday in over-the-counter trading.

Canada

TORONTO stocks climbed in light midday trade on hopes of a peaceful settlement in the Gulf. The composite index rose 8.5 to 3,190.9. Advances led declines by 175 to 166 on volume of 9.3m shares.

Sharp losses in gold shares limited gains as gold futures fell. The gold index fell 213 or 3.8 per cent to 5,374.6. Among gold shares, Placer Dome lost C$¾ to C$17⅞, American Barrick fell C$1¼ to C$23⅝. Echo Bay dropped C$½ to C$10¼ and Hemlo Gold slipped C$¼ to C$10¾.

German retailers pause after heady 1990

The sector's outlook is less spectacular but remains good, writes **Katharine Campbell**

THE GERMAN retailing industry can hardly expect to pull off another 1990, when a flood of hungry East Germans crowded the shops, and tax cuts and wage rises put a plush lining into the pockets of West German consumers. Double-digit turnover increases and even fatter profits replaced years of stagnant growth.

Nevertheless, the prospects for 1991, if a touch less spectacular, are far from dull. The German Retailing Association, which expects to report at least an additional DM70bn ($47bn) worth of business for the past 12 months, representing 10 per cent growth, is estimating DM35bn to DM40bn in extra sales for 1991.

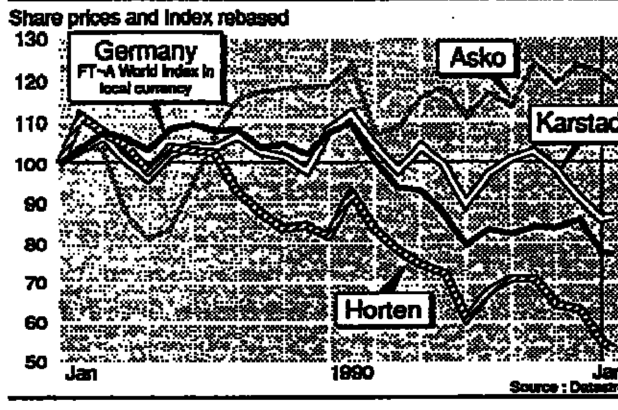
Most retailers are poised to fill the gaps in the deprived East German market and the tide of "shopping tourists" is not expected to dry up yet. Furthermore at least part of any extra taxes levied from the West Germans will find their way into eastern pockets to be spent, not saved.

It is all the more surprising, then, that the share prices of most German retailing stocks have taken a dive in recent weeks. "There is always a downturn, though not as pronounced, at this time of year, as investors decide to sell on the back of Christmas sales euphoria," explains Mr Malcolm MacLachlan, an analyst at UBS Phillips & Drew. He adds that the weakness in the sector habitually lasts to the end of January.

Rights issues, notably for department store Karstadt and niche retailer Douglas, are hanging over the market. Moreover, as defensive stocks which did well in the rout that followed the Iraqi invasion of Kuwait, some analysts argue that any positive outcome for the Gulf crisis could tarnish their glister.

However, this traditionally expensive sector currently looks good value, according to Mr MacLachlan. The 1991 price/earnings ratio for the sector is hovering around 22, compared with more than 30 last year, when retailers along with builders were fêted as the "Ostphantasie" stocks. He believes the market has been dazzled by an exceptional 1990 and is underestimating this year's potential.

One exception is Horten, which has seen its share price fall back to 1988 levels. The price rose to a high of DM339 in 1989 following an announcement by BAT, of the UK, that it would sell its majority stake



as part of a strategy to ward off a hostile takeover attempt by Sir James Goldsmith. The stock climbed higher still to DM369 in January 1990 as the market rallied after the Berlin Wall came down.

However, the sale of BAT's stake took much longer than expected, and the price dwindled to DM168 last September and has languished ever since. It closed yesterday at DM172. Now a buyer has finally been found, in the form of WestLB, the Düsseldorf-based bank, but potential shareholders will need some convincing that a public sector bank can do much for Horten.

By contrast, about the only stock that has not lost ground relative to the market since December is Asko, where several factors have combined to buoy what is still a comparatively cheap share. Quick to seize the initiative, Asko has more than 30 sites in the former East Germany.

Moreover, the acquisition of the remaining Co op stores in west Germany is now regarded as something of a coup. In buying the loss-making chain, Asko has acquired some DM4bn in food sales, an area where the company was underrepresented. It has also inherited extensive and useful accumulated tax losses from Co op.

Mr Klaus Wiegandt, the new chief executive from January 1, who engineered the Co op deal before he formally took over, promises the market a change of style from the larger-than-life but secretive Mr Helmut Wagner. The complex structure of Asko, with its maze of cross-holdings once designed to beat off predators (including, ironically, Co op) has already been simplified, and the market hopes that the management will offer more information on business progress to shareholders.

Meanwhile, 1990 was a virtually unrepeatable year for department stores Kaufhof and Karstadt. The latter reported an 8.2 per cent turnover increase to DM7.65bn, excluding its travel business, at the nine-month stage. Its Neckermann mail order arm has blossomed in the east, with sales up 17.5 per cent to DM1.57bn. This, on a cost base conscientiously slimmed in past years, could yield profit increases of as much as 40 per cent, say some analysts.

This year will be less bountiful for the sector, with costly investments in the east to come, but a market enlarged by 16m customers makes for a wealth of possibilities.

ASIA PACIFIC

Arbitrage-related buying lifts Nikkei in quiet trade

THE NIKKEI average made a small gain yesterday on arbitrage-related buying, although trading volume remained subdued awaiting the US-Iraq talks in Geneva, *writes Emiko Terazono in Tokyo.*

The index closed up 71.43 at 22,969.27 after fluctuating during the morning. From an opening level of 22,846.76, the Nikkei fell to the day's low of 22,662.49 on continued fears over the Gulf crisis. Hopes of a peaceful resolution lifted the market in the afternoon and the index climbed to the day's high of 23,098.74.

Turnover amounted to a thin 260m shares, although traders noted some investment trust activity. Tuesday's volume was 230m shares.

In spite of the gain on the Nikkei, the Topix index of all first section stocks lost 6.83 to 1,671.10. Falls led rises by 502 to 391, with 160 issues remaining unchanged. In London, however, the ISE/Nikkei 50 index added 26.50 at 1,327.92.

Activity focused on futures-related buying, and low capitalisation stocks made the top gains of the day. Rasa Industries, a semiconductor chemical producer, climbed 8.3 per cent to Y749.

Large-capital issues and utilities rallied after the market's sharp fall on Tuesday.

Breweries advanced on reports that beer shipments for 1990 increased by 9 per cent to 518.2m cases. Sapporo added Y60 at Y1,310.

Issues which had been sold on concern over margin positions due in mid-January regained their strength. Mr Paul Muller at Schroder Securities said the selling caused by worries about the impact of margin expiry had peaked. Outstanding margin positions for Pioneer Electronic fell 65.2 per cent from the peak last June to 3.3m shares. The issue rose Y90 to Y4,050.

Nippon Sharyo, a leading rolling stock maker, advanced Y40 to Y1,130. The company has close links with JR Central Japan, which announced that it had developed an even faster bullet train.

Companies with interests in the Middle East firmed. Traders said bad news had been already discounted. Chiyoda, an industrial plant company with projects in Iraq, moved up Y30 to Y1,680. Arabian Oil gained Y190 to Y1,680.

The pulp and paper sector was again the worst performer as it declined 1.7 per cent. Attention focused on Honshu Paper, an issue which attracted a lot of speculators last summer. The stock closed down Y80 at Y1,460 on concern over the maturing next month of options held by a Hong Kong company which if converted would give him control of 33 per cent of the stock.

In Osaka, the OSE average fell 93.61 to 23,947.24 on volume of 26.2m shares.

Nintendo appreciated Y1,500 to Y16,900 in spite of news that American Video Entertainment has filed a $105m anti-trust lawsuit against Nintendo and its US subsidiary, Nintendo of America Inc. American Video said Nintendo was using its monopoly power to force it out of business.

Roundup

THE PACIFIC Rim markets put on a mixed performance as some kept falling while others recovered after two days of losses. Turnover stayed thin before the start of the Gulf talks in Geneva.

NEW ZEALAND hit a seven-year low. The Barclays index lost 19.46 at 1,172.28 – the lowest close since December 13, 1983, when it stood at 1,169.28 – although some light buying towards the finish had helped the index recover from an intraday low of 1,159.41. Turnover eased to NZ$11.3m.

AUSTRALIA declined for the fifth successive day in spite of bargain hunting by institutions. The market was disconcerted by heavy futures selling after news of a higher than expected November current account deficit dashed hopes of another interest rates cut.

The All Ordinaries index shed 4.4 to 1,232.5, the lowest since February 1988, in turnover of A$174m (A$137m).

MANILA fell for the third straight session. The oil sector was depressed after a report from the Octon oil field in the southern Philippines which said that drill engineers failed to flow oil from Octon during a drill-stem test on Tuesday.

The composite index eased 6.95 to 586.83 in volume of 49.14m pesos, up from 35m.

SEOUL bounced back from morning lows to end higher on the day, helped by institutional buying in a thin market. Speculation that the Stabilisation Fund was buying in the afternoon also bolstered sentiment.

Construction shares rose on rumours that Japan would open its construction market to foreigners and that the South Korean government would lift the ceiling on prices for public housing. The composite index gained a marginal 0.71 to 660.39.

HONG KONG gained ground in continued thin dealings, as half-hearted afternoon bargain hunting reversed moderate early losses. Turnover crept up to HK$354m from HK$327.2m.

Property counters and banks enjoyed the day's best advances, while utilities remained under selling pressure. The Hang Seng index closed 18.18 higher at 3,027.60 after losing 9 in early trade.

SINGAPORE rallied in nervous, quiet trading. The Straits Times Industrial index firmed 6.7 to 1,167.29 in turnover of S$55m (S$47m). TAIWAN staged a technical rebound after two days of sharp falls, but trading remained thin. The weighted index rose 77.25 to 4,052.78 on volume of T$27bn.

BANGKOK closed higher on bargain hunting, the SET index gaining 5.45 to 595.82.

SOUTH AFRICA

GOLD SHARES eased in Johannesburg yesterday as bullion fell to $387. The all-gold index was 25 lower at 1,313, but the industrial index rose 10 to 2,923. Vaal Reefs dropped R4 to R226 while De Beers rose R1.25 to R64.25.

EUROPE

Growing peace hopes trigger afternoon rally

CAUTIOUS optimism that the Gulf crisis would be resolved diplomatically, inspired by the length of yesterday's talks in Geneva, triggered sharp rises in the afternoon as traders scrambled for stock. The FT-SE Eurotrack index added 22.92 to 941.71 by 4.30 pm, *writes Our Markets Staff.*

PARIS rose 3.3 per cent in volume similar to Tuesday's – still modest, but better than last week's. The CAC 40 index gained 49.42 to 1,552.19, as turnover reached FFr1.37bn by the official close, compared with Tuesday's post-close total of FFr1.49bn.

Investors, anxious not to miss out on a rally, had kept a close eye on the London market, said one Paris-based salesman. Buying focused on blue chips, with insurer UAP rising FFr24.90 to FFr492, after its recent fall on worries about storm damage claims.

Sanofi, the pharmaceutical company, was suspended at FFr753 while it announced plans for joint ventures with Sterling Drug of the US. The news had been expected. One analyst said that it was significant that the deal would not entail any cash transactions, as there had been fears that the French company would buy Sterling. Elf Aquitaine, Sanofi's parent, rose FFr6.30 to FFr275 on 285,700 shares.

Moulinex, the household appliance manufacturer, jumped FFr5.40 or 7.5 per cent to FFr77 after saying it would pay a dividend for the first time in six years.

FRANKFURT ended sharply higher across the board on short-covering in a thin market, and prices soared after-hours. The DAX index rose 21.95 or 1.6 per cent to 1,375.90 and the FAZ, calculated at midsession, gained 5.95 or 1 per cent to 591.18. Turnover grew to DM3.3bn from DM2.9bn.

Hoechst rose DM9.60 to DM208.10 as an institutional order hit a thin market. Dresdner Bank firmed DM2 to DM338. It was revealed yesterday that Dresdner had bought a 5 per cent stake in La Corporacion Banesto for Pta11.8bn. Analysts said the purchase was most likely a portfolio investment, although it could help the bank's Spanish expansion.

Linotype fell DM10 to DM500 after the printing industry supplier said that it would show no increase in net profits in 1990 after seven years of double-digit growth.

AMSTERDAM extended its gains by the close after a nervous session. The CBS Tendency index gained 1.3, or 1.7 per cent, to 79.2.

Hoogovens rose 60 cents to Fl 45.40 after Tuesday's 8.6 per cent drop, which had followed a negative new year's message from the company.

VNU, the publisher, eased 60 cents to Fl 79.10 after its chairman forecast stormy weather ahead. Pakhoed, the transport and storage company, fell Fl 6.50 to Fl 182.50 after a Dutch broker downgraded its 1990 and 1991 profit forecasts.

Lower oil prices limited Royal Dutch's rise to 10 cents, as it closed at Fl 129.40. Hoare Govett notes that the stock's discount to Shell could prompt a short-term rise. On a longer term view, improving earnings from its US activities make the stock attractive, Hoare said.

MILAN closed mixed in thin trading. Because the bourse closes early, it failed to take part in the afternoon rally which swept other markets higher. The Comit index rose 0.69 to 511.32.

Alitalia, the state airline, fell L21 to L700. The carrier said that it would have broken even in 1990 but for the Gulf crisis.

Fiat rose L48 to L5,818. After the market closed, industry data showed that Italian car sales fell in 1990, halting five years of uninterrupted growth in demand for cars. Fiat controlled 48.6 per cent of the domestic car market last month, compared with 55.1 per cent in December 1989.

STOCKHOLM rose for the first time this year. The Affärsvärlden index gained 12.1 to 820.5, but volume nearly halved to SKr162m from SKr308m. OSLO also saw gains, mainly in the shipping sector. The all-share index rose 0.66 to 427.56 in volume of NKr350m.

MADRID's general index gained 5.54 or 2.5 per cent to 224.97, while ZURICH moved higher in improved turnover, the Crédit Suisse index adding 6.6 to 447.0. BRUSSELS also firmed, with Petrofina, the oil group, gaining BFr460 or 4.9 per cent to BFr9,940.

ISTANBUL rose after two days of falls, with the 75-share index gaining 86.01 or 2.6 per cent to 3,360.25 as turnover picked up to a moderate TL51bn from TL43bn.

HELSINKI continued to fall in thin trading. The Unitas all-share index lost 9.00 or 2.4 per cent to 348.3, although Huhtamaki series I free shares rose FM3 to FM73 after the company said that Suomen Unilever had taken a stake in Jalostaja, its food subsidiary.

US funds abroad

THE article on overseas investment of US pension funds, published on this page on January 7, quoted InterSec Research Corp as saying that slightly more than $3bn of total US pension fund overseas assets, estimated at $90bn in late 1990, is invested in Europe. InterSec in fact estimates that $45bn is invested in Europe; $3bn of the total is restricted to European markets only.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JANUARY 8 1991								MONDAY JANUARY 7 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990/91 High	1990/91 Low	Year ago (approx)
Australia (75)	114.07	+0.0	88.73	98.35	90.83	97.53	−0.4	7.84	114.06	88.73	98.53	90.88	97.94	158.31	114.06	154.79
Austria (19)	180.54	−2.1	140.43	155.66	143.75	143.71	−2.3	1.90	184.48	143.50	159.35	146.98	147.07	285.63	178.57	216.06
Belgium (60)	125.56	−1.1	97.67	108.25	99.97	97.85	−0.9	5.96	126.93	98.73	109.63	101.13	98.76	160.02	125.56	158.54
Canada (116)	127.95	−0.4	99.53	110.31	101.87	106.73	−0.5	3.76	128.48	99.94	110.97	102.36	107.26	153.61	121.24	151.88
Denmark (32)	217.74	−0.8	169.37	187.74	173.37	175.25	−0.4	1.71	219.55	170.78	183.65	174.92	176.03	277.62	217.74	246.81
Finland (22)	93.00	−2.0	72.34	80.19	74.05	71.95	−1.9	4.21	94.87	73.79	81.95	75.53	73.38	152.29	93.00	137.32
France (113)	127.81	−0.1	99.42	110.19	101.76	104.10	−0.3	3.95	127.96	99.54	110.53	101.85	104.43	168.85	124.98	155.61
Germany (88)	106.06	−0.4	82.50	91.46	84.45	84.45	−0.4	2.69	106.46	82.81	91.97	84.82	84.82	144.63	101.38	130.18
Hong Kong (48)	121.18	−0.7	94.26	104.48	96.49	121.32	−0.7	5.52	122.03	94.92	105.40	97.23	122.16	147.49	112.24	116.58
Ireland (16)	137.73	−2.0	107.13	118.75	109.66	111.25	−1.9	4.65	140.56	109.34	121.42	111.99	113.44	198.57	137.73	195.06
Italy (93)	76.63	−1.5	59.61	66.07	61.01	65.84	−1.6	3.91	77.78	60.50	67.18	61.97	66.92	109.26	75.73	101.24
Japan (453)	120.54	−2.5	93.76	103.93	95.99	103.93	−2.6	0.82	123.57	96.12	106.74	98.46	106.74	197.26	106.58	190.85
Malaysia (34)	199.90	−2.1	155.49	172.35	159.16	209.75	−1.9	3.21	204.10	158.76	176.29	162.61	213.61	250.89	182.96	233.95
Mexico (12)	565.64	−2.8	439.99	487.70	450.38	1827.51	−2.8	0.38	581.69	452.47	502.46	463.46	1879.36	613.96	324.53	334.27
Netherland (41)	129.39	−0.3	100.65	111.56	103.03	101.90	−0.5	5.27	129.85	101.00	112.16	103.46	102.44	149.03	127.56	144.07
New Zealand (15)	43.11	−1.2	33.53	37.17	34.33	38.61	−1.5	8.77	43.62	33.93	37.68	34.75	39.19	75.36	42.62	74.15
Norway (30)	190.43	−0.9	148.13	164.20	151.63	155.15	−0.7	1.96	192.17	149.48	166.00	153.11	156.17	276.79	190.43	214.62
Singapore (25)	155.28	−2.0	120.78	133.88	123.63	125.87	−1.9	3.33	158.51	123.30	136.92	126.29	128.34	209.24	147.24	188.82
South Africa (60)	182.45	−0.1	141.92	157.31	145.27	135.88	−0.8	4.01	182.69	142.11	157.80	145.55	136.99	251.39	151.50	201.30
Spain (41)	135.56	−0.2	105.45	116.88	107.94	99.46	−0.8	5.63	135.83	105.66	117.33	108.22	100.28	182.25	128.54	162.15
Sweden (27)	146.60	−1.6	114.04	126.41	116.73	124.09	−1.4	3.29	149.01	115.91	128.72	118.73	125.91	234.93	146.60	206.95
Switzerland (65)	84.48	−0.6	65.71	72.84	67.27	67.43	−1.0	3.11	85.03	66.14	73.45	67.75	68.03	109.77	84.48	97.07
United Kingdom (297)	160.15	−0.7	124.58	138.07	127.51	124.58	−0.7	5.61	161.21	125.40	139.23	128.43	125.39	176.18	139.87	164.31
USA (527)	127.26	−0.2	98.99	109.73	101.33	127.26	−0.2	3.92	127.54	99.21	110.17	101.62	127.54	148.95	119.06	141.59
Europe (944)	129.34	−0.6	100.61	111.52	102.99	102.06	−0.7	4.57	130.13	101.22	112.40	103.68	102.76	157.65	124.91	146.66
Nordic (111)	155.55	−1.2	120.99	134.12	123.85	123.26	−0.9	2.47	157.43	122.46	135.98	125.43	124.41	223.29	155.55	197.02
Pacific Basin (650)	120.01	−2.3	93.35	103.48	95.56	103.96	−2.5	1.24	122.85	95.56	106.12	97.88	106.82	192.75	107.82	186.75
Euro – Pacific (1594)	124.14	−1.6	96.56	107.03	98.84	103.91	−1.7	2.66	126.15	98.12	108.96	100.50	105.74	174.18	116.03	170.92
North America (643)	127.21	−0.2	98.95	109.69	101.30	125.92	−0.2	3.91	127.50	99.18	110.15	101.61	126.22	148.43	119.26	142.11
Europe Ex. UK (647)	110.60	−0.6	86.03	95.38	88.08	88.88	−0.7	3.77	111.23	86.52	96.10	88.64	89.52	145.62	109.94	134.57
Pacific Ex. Japan (197)	113.13	−0.6	88.00	97.56	90.09	100.85	−0.8	6.49	113.76	88.49	98.28	90.65	101.61	146.72	113.13	137.44
World Ex. US (1782)	125.08	−1.5	97.30	107.86	99.61	104.76	−1.7	2.71	127.04	98.82	109.74	101.22	106.55	173.77	117.12	170.65
World Ex. UK (2012)	121.40	−1.1	94.43	104.68	96.67	110.45	−1.2	2.81	122.80	95.52	106.08	97.85	111.84	162.00	115.37	158.73
World Ex. So. Af. (2249)	124.49	−1.1	96.84	107.35	99.13	111.68	−1.2	3.12	125.97	97.91	108.73	100.29	113.07	161.84	118.04	158.95
World Ex. Japan (1856)	128.31	−0.4	99.81	110.64	102.18	116.01	−0.5	4.26	128.63	100.21	111.29	102.66	115.54	151.59	124.31	144.47
The World Index (2309)	124.84	−1.1	97.11	107.64	99.41	111.85	−1.2	3.13	126.21	98.17	109.02	100.56	113.18	162.05	118.33	159.21

Constituent change with effect 10/1/91: Deletion, Bank of New England (US). Latest prices were unavailable for this edition.

BUSINESS LAW

Brussels must learn from US mistakes over waste damage

By Derek Wheatley

THE draft European Community Waste Damage Liability Directive seeks to impose liability "under civil law for the damage and injury to the environment caused by waste, irrespective of fault…"

The person made liable is to be not only the person really responsible, but also certain "deemed producers of waste". Unless the real producer can be identified, these include "the person who had actual control of the waste when the incident giving rise to the damage or injury to the environment occurred".

This could be banks when exercising their power of sale to realise security over land, in the event of loan default and many others, including caretakers, or, in the event of insolvency, receivers or liquidators.

The prospects are serious since the draft directive provides in Article 5, for joint and several liability. A small mistake contributing to a large disaster could render the defaulter liable for the whole thing.

All of this is awesomely familiar to those who know of the "clean-up" or "superfund" legislation in the US. There, since the early 1980s, there has been state and federal legislation imposing liability upon the producers of hazardous waste and those who subsequently come into possession or control of it.

The principal federal legislation is the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) of 1980. This creates liability when there is any "release or threatened release of a hazardous substance".

It is clear that no damage need actually be suffered by anyone, before the provisions of CERCLA come into play. The US Environmental Protection Agency (EPA) has wide power to deal with any such situation at once by taking remedial action itself, and then suing the potentially responsible person or persons (PRP) for the cost of so doing, or by ordering the potentially responsible person or persons to "abate the hazardous conditions".

There are four categories of PRPs, including past or current owners or operators of the "facility" concerned, and generators and transporters of waste which is deemed to be hazardous. PRPs are liable not only for all the costs of remedial action but damages for injury or loss of natural resources to the public.

The result has been a spate of actions, including the infamous American "class actions" against parties owning or operating hazardous sites or those who can be said to control them.

It was the intention of the American legislation to exclude those who held only security interests over affected sites expressed by the "secured lender exception" which excludes from liability a person who "… without participating in the management of a … facility, holds indicia of ownership primarily to protect his security interest".

The difficulty has been in defining what constitutes "participating in the management" since some American decisions have held that very slight acts, little more than the actions of a prudent lender protecting his security, might be sufficient.

Recently the matter progressed further, to the disadvantage of the lender, when the Superfund Law was scrutinised for the first time by a Federal Appeals Court – the 11th Circuit – in the case of *US v Fleet Factors*.

A secured lender who did not realise his security or take part in management decisions had been thought previously to be free from liability. The 11th Circuit Appeal Court decided however that a lender might be liable if the court could infer that the secured lender could have affected hazardous waste decisions even if it did not do so.

So, no amount of care and lack of participation would necessarily prevent the lender from being saddled with liability if the documentation was such that he could have exercised control.

This decision has thrown the American banking system into disarray. Preconceived and carefully thought out procedures were thrown into doubt. Financial Law Update, which is published by the San Francisco law firm, Brubeck, Phleger and Harrison, described the impact on the financial community as amounting to "near hysteria".

The decision has caused the introduction of a bill into the House of Representatives (HR 4494) to amend CERCLA's definition of "owner or operator" which will exclude lenders taking title by way of foreclosure under their security documentation so as to go some way to restoring the original intention.

Enterprising plaintiffs have already been making hay in actions against lenders under the "capacity to influence" doctrine laid down in the *Fleet Factors* case. However some sanity and equilibrium was restored by the Court of Appeal for the 9th Circuit in the case of *East Asiatic Co Ltd* last August.

This refused to follow *Fleet Factors* and required a need for more robust control to be shown before liability could be established, saying "what is critical is not what rights (the lender) had, but what it did…"

The field-day for the lawyers in the US has been exacerbated by the conflicting and unclear decisions of the American courts. The flames of litigation have been fanned by the activities of the environmental protection agencies of the various states which seem to have vied enthusiastically among themselves in identifying potential sources of danger before any damage has actually occurred, perhaps quite often when it never would have. The numbers of those employed in the detection exercise is increasing fast.

The effect of this has been to impose a severe burden, among others, on banks and insolvency practitioners. The banks need to make close investigation before advancing money on the security of a possibly dangerous site. With greater investigation and the need to take indemnities which cannot always be effective, lending becomes more costly to banks, which pass this on to their customers or do not lend at all.

Insolvency practitioners may find that what appears to be a valuable asset turns out to be a liability which affects them personally if they take possession. An article in New York Law Journal, not usually given to hyperbole, sagely observed: "The Superfund is underfunded and the EPA will seek recovery from any potential deep pocket. Banks, insurance companies, pension funds, finance companies and other major lenders are viewed by EPA as potential targets of opportunity. The public policy announced by CERCLA overrides the Bankruptcy Code and the debtor, or debtor-in-possession, cannot avoid his responsibilities by abandoning property subject to a clean-up obligation pursuant to the abandonment procedure of the Bankruptcy Code. The donation of a closed plant to charity may not fare any better."

Now what of Europe? The draft directive, proposed by the Commission, has been considered by two committees of the European Parliament. Although their views are not identical, the main points of the draft directive remain intact and seem likely to be included in the finally amended text.

It seems likely therefore to pass into EC and hence UK law, although on a recent visit to Brussels the officials in charge of the draft directive appeared to be not unsympathetic to the counter-arguments.

These are that it is foreign to English law and to English ideas to impose liability without fault, particularly on a lender who has done nothing other than to act reasonably in the disposal or protection of his security.

It is alien to English ideas to impose joint and several liability without fault. It is against the whole concept of our own Environmental Protection Act 1990.

The act provides for a duty of care which rests on anyone dealing with "controlled waste" – household, industrial and commercial waste. This duty even extends to preventing certain other people from dumping waste or keeping or disposing of it dangerously. Unlike the draft directive it creates a criminal offence but it imposes no liability without fault akin to the draft directive and CERCLA.

The American experience shows that the effects of CERCLA are unhappy. This should be noted and steps taken to amend the draft directive to insert an effective secured lender exclusion clause.

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